CANADA

RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning the Sugar Industry in Western Canada and a Proposed Merger of Sugar Companies

DEPARTMENT OF JUSTICE
OTTAWA

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1957

RESTRICTIVE TRADE PRACTICES COMMISSION

R E P O R T

CONCERNING THE SUGAR INDUSTRY IN WESTERN CANADA AND A PROPOSED MERGER OF SUGAR COMPANIES

COMBINES INVESTIGATION ACT

Ottawa
1957

83680—1

RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q. C., M. A., LL. B., B. C. L.
Chairman

Guy Roberge, B. A., LL. L.
Member

A. S. Whiteley, B. A., M. A.
Member

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RESTRICTIVE TRADE PRACTICES COMMISSION
Ottawa

Room 451, Justice Building,
January 7, 1957.

The Honourable Stuart S. Garson, Q.C.,
Minister of Justice,
Ottawa, Ontario.

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the sugar industry in Western Canada and the proposed merger of The Manitoba Sugar Company Limited with The British Columbia Sugar Refining Company Limited through share acquisitions by the latter.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of Sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission at Winnipeg, Manitoba between August 20 and 27, 1956. Messrs. R. M. Davidson and J. J. Quinlan appeared on behalf of the Director of Investigation and Research and Messrs. C. V. McArthur, Q.C., and R. H. Tupper, Q.C. appeared on behalf of The British Columbia Sugar Refining Company Limited. Mr. J. A. MacAulay, Q.C. appeared on behalf of certain Manitoba shareholders of The Manitoba Sugar Company Limited.

Professor J. C. Weldon, Department of Economics, McGill University, served as economic consultant to the Commission in this inquiry and his able services are hereby acknowledged.

Yours faithfully,

C. Rhodes Smith,
Chairman

CONTENTS

LIST OF TABLES

List of Tables (continued)

In Appendices

CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry, which was made by the Director of Investigation and Research, was brought before the Restrictive Trade Practices Commission by the submission of a statement of the evidence obtained in the inquiry in accordance with Section 18 of the Combines Investigation Act.

Also in accordance with Section 18(1) of the Act, when the Statement of Evidence, which was dated July 5, 1956, was submitted to the Commission, it was submitted at the same time by the Director to The British Columbia Sugar Refining Company, Limited, against whom allegations were made therein.

The situation giving rise to the immediate inquiry was indicated by the Director to be the reported acquisition by The British Columbia Sugar Refining Company, Limited of a substantial interest in The Manitoba Sugar Company Limited. Since 1931, Canadian Sugar Factories Limited, which refines beet sugar in Alberta, has been operated as a wholly-owned subsidiary of The British Columbia Sugar Refining Company, Limited.

2. Description of Sugar Companies in Western Canada

The three sugar companies mentioned above are described in the Statement of Evidence as follows:

> "The British Columbia Sugar Refining Company Limited (hereinafter referred to as B. C. S. R.) - The Company was incorporated on March 26, 1890 as a provincial company. The original plant was constructed in Vancouver in the same year. Throughout its history the Company has been the only refiner of sugar in the Province of British Columbia. On June 7, 1920 the incorporation was changed from a provincial to a dominion incorporation. In 1931, the Company acquired Canadian Sugar Factories Limited by purchase from its former owners. It now owns all the shares of this subsidiary. In 1934 two

83680—2

wholly-owned sales subsidiaries were incorporated: The British Columbia Sugar Refining Company (Alberta) Limited and The British Columbia Sugar Refining Company (Sask.) Limited. Of the shares of The British Columbia Sugar Refining Company, Limited, 99.6% are owned by B. C. Sugar Refinery, Limited which is a public company though the shares are not listed on any stock exchange.[1] With few exceptions most of the shares are held in small blocks by about 1,600 shareholders. Some 28% of the shares are held by residents of the United States and Great Britain. The present rated capacity of the Vancouver plant is 1,100,000 pounds of raw sugar melted per day, which is roughly equivalent to a production capacity of 290,000,000 pounds of refined sugar per year.*

Canadian Sugar Factories Limited (hereinafter referred to as C.S.F.) - The first attempt to establish the beet sugar industry in Alberta was made by the Knight Sugar Company Limited which built a small factory at Raymond, Alberta in 1904 [1903]. The operation failed, the factory did not operate after 1913, and the machinery was subsequently moved to the United States. In 1925, one of the factories which the Utah-Idaho Sugar Company in the United States was compelled to move out of Yakima Valley in Washington, owing to a disease affecting sugar beets in the area, was rebuilt at Raymond and started operation under the name of Canadian Sugar Factories Limited and as a wholly-owned subsidiary of the Utah-Idaho Sugar Company. In 1931, Canadian Sugar Factories Limited was sold to The British Columbia Sugar Refining Company Limited. Subsequently the Raymond factory was modernized and its capacity almost doubled. In addition Canadian Sugar Factories Limited built a new factory at Picture Butte, Alberta in 1936 and another new factory at Taber, Alberta in 1950. The head office of Canadian Sugar Factories Limited is now in Vancouver. The present rated capacity of the factory in Raymond is 1,550 tons of beets sliced per day, of the factory in Picture Butte, 1,850 tons of beets daily, and of the factory in Taber, 2,200 tons per day. On the basis of an operating period of 110 days, this is roughly equal to a combined production capacity of 185,000,000 pounds of refined sugar per year.

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1. See: Annual report to shareholders of The British Columbia Sugar Refining Company Limited, September 30, 1952.

* At the hearing before the Commission the President of the Company stated in evidence that as a practical matter the annual total capacity would be considerably less.

The Manitoba Sugar Company Limited (hereinafter referred to as Manitoba Sugar) - The Company was originally incorporated under provincial statute on January 23, 1925, but no plant was built and no operations began until 1940. For a short period beginning in 1949, the Company undertook the refining of cane sugar as well as beet but cane refining was discontinued. In April, 1955, a substantial stock interest in the Company was purchased by The British Columbia Sugar Refining Company Limited. Daily capacity of the factory at Fort Garry at the present time is 2, 400 tons of sugar beets. This is equal to a production capacity of roughly 80, 000, 000 pounds of refined sugar per year."

3. Conduct of the Inquiry

Prior to the submission of the Statement of Evidence no hearings had been held in this inquiry for the taking of evidence but numerous documents had been secured during visits by representatives of the Director to business premises of sugar companies and to the offices of certain brokers for refined and raw sugar. Information was also secured by the Director by way of written returns from sugar companies under the authority of the Act. Documents selected from the records of sugar companies and brokers and taken away for copying were marked with code letters to identify the premises on which they were found and with numbers. In this report any of such documents which are referred to will be designated by such code letters and numbers. The list of code letters indicating the respective premises is as follows:

AMF	-	The British Columbia Sugar Refining Company, Limited, Vancouver
ATH	-	Canadian Sugar Factories Limited, Raymond, Alberta
AOJ	-	The Manitoba Sugar Company Limited, Fort Garry, Manitoba
ASC	-	Donald H. Bain Limited, Winnipeg
ASA	-	Grant, Atkinson and Blair, Winnipeg
ATF	-	Czarnikow (Canada) Limited, Montreal

By an order dated July 16, 1956 the Commission fixed Monday, August 20, 1956 at 10 o'clock in the forenoon, in the city of Winnipeg, Manitoba, as the date, time and place at which argument in support of the Statement of Evidence could be submitted and at which persons concerned in the inquiry would be allowed full opportunity to be heard in person or by counsel, in conformity with Section 18(2) of the Combines Investigation Act. In giving notice thereof, the Commission further informed the parties that at the hearings they would have the opportunity of calling any witnesses

or of submitting additional documentary evidence.

At the hearings at Winnipeg, which began on August 20 and concluded on August 27, the following appearances were entered:

R. M. Davidson J. J. Quinlan	for Director of Investigation and Research;
C. V. McArthur, Q. C. R. H. Tupper, Q. C.	for The British Columbia Sugar Refining Company, Limited;
J. A. MacAulay, Q. C.	for certain Manitoba shareholders of The Manitoba Sugar Company Limited.

Before argument was heard by the Commission the following witnesses were examined and certain exhibits were received:

A. M. Robertson	Vice-President and Secretary, The British Columbia Sugar Refining Company, Limited.
Forrest Rogers	President and Managing Director, The British Columbia Sugar Refining Company, Limited.
T. G. Wood	Director of Canadian Sugar Factories Limited and formerly General Manager.
J. A. MacAulay, Q. C.	Chairman of the Board, The Manitoba Sugar Company Limited.
J. S. McDiarmid	Sales Manager, The Manitoba Sugar Company Limited.
A. J. Smale	Vice-President and General Manager, Donald H. Bain Limited.
P. Baker	President of the Alberta Sugar Beet Growers Association, also former President of National Sugar Beet Growers and Producers.
L. Dusessoy	Secretary of the Manitoba Sugar Beet Growers Association.
W. S. Forrester	Vice-Chairman of the Manitoba Sugar Beet Growers Association.

D. P. Froebe	Associate Director of the Manitoba Sugar Beet Growers Association and Second Vice-President of the National Sugar Beet Growers and Producers.
L. R. Jensen	President of the Alberta Sugar Beet Growers Association and First Vice-President of the National Sugar Beet Growers and Producers.
E. Moeller	Beet grower, Teulon, Manitoba.
R. D. Robertson	Minister of Public Works, Government of Manitoba and formerly Minister of Agriculture, Government of Manitoba.
J. W. L. Tully	President of the Manitoba Sugar Beet Growers Association.

4. Allegations

The following are the particulars of allegations set out in the Statement of Evidence:

> "68. B. C. S. R., by reason of the limited importance of products competitive with sugar, the tariff protection afforded the Canadian sugar refining industry, arrangements among producers in certain sugar producing countries respecting sales of refined sugar to Canada, the location of its cane sugar refinery, complete control of C. S. F., the obstacles confronting new entrants, and B. C. S. R.'s relations with sugar refineries in Eastern Canada, has for many years enjoyed a dominant position in the manufacture, distribution and sale of refined sugar throughout the greater part of Western Canada.
>
> 69. On April 13, 1955, B. C. S. R. acquired sufficient shares in Manitoba Sugar to give it effective control. This had the result of extending the dominant position of B. C. S. R. and completely eliminating the competition of its most important rival in the market in Western Canada.
>
> 70. Manitoba Sugar was located in an area where the markets of eastern and western refiners met and overlapped. Each of these markets was characterized by a rigid price structure of its own. Because the selling activities of eastern

and western refiners met in Manitoba and Saskatchewan, more competition was possible here than elsewhere throughout the country. Manitoba Sugar, as a third factor in the area, a beet sugar refiner whose production had to be disposed of each year kept alive a considerable amount of competition in a degree disproportionate to its mere size.

71. Manitoba Sugar, because of its increased capacity and increasing production, prior to the acquisition by B. C. S. R., was becoming a more important competitive factor. Moreover, it was expected by B. C. S. R. that the opening of the St. Lawrence Seaway, together with increased production in Eastern Canada, would encourage increased shipments of Eastern sugar into Manitoba, with the effect of forcing Manitoba Sugar to seek outlets further west and making it a still more important competitive factor, in relation to B. C. S. R. The elimination of Manitoba Sugar as an independent organization will, therefore, prevent the increased competition which was likely to be effective in the future.

72. In the light of the motives of B. C. S. R. in acquiring Manitoba Sugar, as disclosed in the documents and reviewed in this Statement, it is likely that the production of Manitoba Sugar will be curtailed, in favour of that of B. C. S. R. and C. S. F. below the level it would have attained had ordinary economic forces been permitted to operate.

73. The acquisition of a substantial interest in Manitoba Sugar by B. C. S. R. has removed the downward pressure on prices and costs formerly exerted by the competition of the Manitoba Company and consequently has protected still further and will continue to protect a price level already insulated from competition to an unusual degree for the reasons given in Paragraph 68. This price level is based upon a refiner's margin in Vancouver and a level of earnings which in the circumstances are already more than adequate.

74. The effect of the acquisition is to impose upon consumers in those areas in Western Canada where the competition of Manitoba Sugar directly or indirectly made itself felt, or was likely to make itself felt, the burden of paying higher than competitive prices for sugar consumed directly, and in the purchase of those processed products in which sugar is an important ingredient.

75. The effect of the acquisition is also to impose a similar hardship upon food processors and other manufacturers who are thereby placed at a disadvantage in competing against imported products of like character and in competing against different goods for the consumer's favour.

76. For the reasons stated, it is alleged that the acquisition of a substantial interest in Manitoba Sugar by B. C. S. R. constitutes a combine within the meaning of the Combines Investigation Act, being, in this case, a merger, trust or monopoly which has operated and is likely to operate to the detriment and against the interest of the public."

5. Position Taken by B. C. S. R. with Respect to the Allegations

In order to assist the Commission in its consideration of the matters which would be dealt with in argument, B. C. S. R. was requested to submit in advance of the hearings, if possible, a statement indicating the position taken with respect to the facts and conclusions set out in the Statement of Evidence. A comprehensive statement was submitted to the Commission on behalf of B. C. S. R. and the position taken by the company was further indicated in the remarks of counsel at the opening of the hearings in Winnipeg. With respect to the particulars of allegations the following were the main points on which issue was taken:

1. The evidence in the inquiry does not support the allegations and at no time was B. C. S. R. a party or privy to or did it knowingly assist in the formation of a combine within the meaning of the Combines Investigation Act.

2. It is not shown in the evidence nor can it be inferred that the acquisition of shares of Manitoba Sugar by B. C. S. R. has operated or would be likely to operate to the detriment of the public.

3. The acquisition of shares of Manitoba Sugar by B. C. S. R. has been and will be beneficial to the public, to sugar beet growers in Manitoba, to Manitoba Sugar and all those working for or connected with the operations of the company.

The submission on behalf of B. C. S. R. contained the following in answer to the separate paragraphs of the particulars of allegations, the numbers corresponding to the number of the paragraph in the Statement of Evidence:

"68. The reasons for the important, but not dominant, position of B. C. S. R. in the Western Canadian market, are its having been the first to manufacture refined cane sugar in British Columbia, and beet sugar on a large scale in Alberta; its having maintained a price which was competitive in British Columbia against offshore cane sugar and on the prairies against other sugar refiners, a price which by reason of efficient operation

has given it a fair return, not against public interest. It has had and has no improper relations with sugar refineries in Eastern Canada or elsewhere.

69. Its acquisition of shares in Manitoba Sugar did not give it effective or any control of that Company in which it holds a minority interest. That Company has never been its most important rival in the market in Western Canada. B. C. S. R. has always recognized the pre-eminent position and advantages of Manitoba Sugar in Manitoba. Its most important rivals in that market and in Western Canada are the Eastern Refiners with whom it competes for the surplus consumption in Manitoba which Manitoba Sugar cannot supply. It is further submitted that complete ownership of the shares of Manitoba Sugar Company by B. C. S. R. would not work to the detriment of the public.

70. Such competition as existed in the area in which sugar has been sold by Manitoba Sugar Company will not disappear, but, on the contrary it is intended that Manitoba Sugar Company should be maintained as a separate and distinct entity with no change in its selling policy which would effect [sic] competition within the area in which it is now disposing of its sugar.

71. B. C. S. R. does expect increased competition with Eastern Refiners following expansion of their production and the completion of the St. Lawrence Seaway - a competition which if not met might drive it out of Manitoba and Saskatchewan markets. It was not to eliminate the competition of Manitoba Sugar which will always, while adequately financed and managed, be able to dispose of its production in Manitoba and Saskatchewan but largely to assist in combating the competition of Eastern refiners that it acquired an interest in Manitoba Sugar.

72. The allegation that it will be likely to curtail production of Manitoba sugar is against history, reason, the interests of B. C. S. R.'s commercial morality and its undertaking to this Commission. The advantage of Manitoba Sugar to B. C. S. R. lies largely in its ability to market all its production in Manitoba against Eastern competition, and, if adequately supported, even in a time of price war.

73. There has been no removal of a downward pressure on prices and costs through B. C. S. R.'s acquisition of a share interest in Manitoba Sugar, nor has any evidence of such a removal (either relating to prices or costs) been given in the statement. The same price system has obtained before and after the acquisition. B. C. S. R. will continue its endeavours to reduce costs. The price level is not insulated from competition, which competition appears clearly in the tables

set out in the Statement. The refiner's margin and earnings of B. C. S. R. are not more than adequate.

74. Consumers of sugar and of products in which sugar is an important ingredient in areas where Manitoba Sugar sold its products will continue to enjoy competitive prices, due to the prime competition of sugar from Eastern Canada.

75. It is not understood how the acquisition of shares in Manitoba Sugar by B. C. S. R. imposes any hardship upon food processors, and other manufacturers, and how they are thereby at a disadvantage in competing against other products. It is submitted that this is irrelevant in this inquiry.

76. For the reasons given herein it is alleged that the acquisition by B. C. S. R. of shares in Manitoba Sugar does not constitute a combine as alleged, or that it has operated and is likely to operate to the detriment and against the interest of the public. The facts submitted establish that since such shares were acquired there has been nothing done to the detriment or against the interest of the public. For the reasons given it is apparent that nothing of such character is likely to be done."

CHAPTER II

THE SUGAR REFINING INDUSTRY IN CANADA

1. Early History of Sugar Refining in Canada

From historical information contained in the Statement of Evidence it appears that the first cane sugar refinery in Canada began operations in Montreal in 1854 and was followed by several others, including one refinery in Halifax. From 1876 to 1879 the refineries in Canada were closed owing to import competition but in the latter year Canada imposed a countervailing duty against the bonused exports of other countries and the refining of sugar was resumed at Montreal and Halifax.

The first attempts to establish a beet sugar refining industry in Canada were made in Quebec in 1881 when factories were constructed at Farnham, Berthierville and Coaticook. Production, however, was carried on for only a few seasons. The factory at Coaticook was given up by 1883 and while efforts were made from time to time to re-open the other factories, such efforts appear to have ceased by 1896. The re-establishment of a beet sugar industry in Quebec was not accomplished until 1944 when, with provincial government support, a factory was set up at St. Hilaire, about 20 miles east of Montreal.

Beet sugar production was undertaken in Ontario in 1902 when four factories were built at Wallaceburg, Dresden, Kitchener and Wiarton, but only at Wallaceburg has sugar refining persisted. The plant at Wallaceburg was adapted to the production of cane sugar as well and this permitted a longer operating period. In 1916, the company operating the Wallaceburg plant established a sugar beet factory at Chatham, Ontario which has been maintained.

As has already been indicated in the description of C. S. F., beet sugar production was first attempted in Alberta in 1903 but the initial undertaking was given up prior to the First World War and production was not again attempted until 1925 when a factory was set up at Raymond, Alberta for a second time. Another factory was built at Picture Butte, Alberta in 1936 and a third one at Taber, Alberta in 1950.

2. Capacity of Sugar Refineries in Canada

There are seven companies engaged in producing refined sugar in Canada, whose operations are carried on at eleven plants. Of these plants, four are classed as cane sugar refineries, six as beet sugar factories and one as a cane-beet factory. The location and daily capacity of these plants are given below:

Province and Municipality	Company	Daily Capacity
British Columbia		
Vancouver	The British Columbia Sugar Refining Company, Limited	1,100,000 lb. raw sugar
Alberta		
Raymond	Canadian Sugar Factories Limited	1,550 tons of beets sliced[1]
Picture Butte	"	1,850 tons of beets[1]
Taber	"	2,200 tons of beets[1]
Manitoba		
Fort Garry	The Manitoba Sugar Company Limited	2,400 tons of beets[2]

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1. On the basis of an operating period of 110 days, the combined capacity of the three Alberta factories would equal roughly 185,000,000 lb. of refined sugar per year.

2. On the same basis as above this would represent roughly a capacity of 80,000,000 lb. of refined sugar per year.

Ontario		
Chatham	Canada and Dominion Sugar Company Limited	3,000 tons of beets[1]
Wallaceburg	"	2,500 tons of beets,[1] alternatively 1,050,000 lb. of raw sugar
Quebec		
St. Hilaire	Quebec Sugar Refinery	1,500 tons of beets[2]
Montreal	Canada and Dominion Sugar Company Limited	2,400,000 lb. of raw sugar
Montreal	The St. Lawrence Sugar Refineries Limited	1,500,000 lb. of raw sugar
New Brunswick		
Saint John	Acadia-Atlantic Sugar Refineries Limited[3]	1,500,000 lb. of refined sugar

It is difficult to make any estimate as to the annual refining capacity of Canadian cane and sugar beet refineries because of the variations caused by weather and yield in the operation of sugar beet factories and the lack of definite information as to the length of time cane refineries can be operated without interruption.[4] In the

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1. The combined beet capacity of the Chatham and Wallaceburg factories would be roughly 180,000,000 lb. of refined sugar.

2. Roughly equal to a production capacity of 50,000,000 lb. of refined sugar per year.

3. The company also controls a refinery at Woodside, N.S. which had a daily capacity of 1,250,000 lb. but which has been inactive since 1942.

4. In addition to mechanical problems, cane sugar refineries at inland ports must also provide for operations during period of closed navigation during winter months.

Statement of Evidence the overall capacity of Canadian sugar refineries is given as 2,440 million pounds per year. This total is apparently based on 285 days' operation of cane sugar refineries and 110 days' operation of beet sugar factories, excluding the Wallaceburg plant which was rated on the basis of its cane sugar capacity. According to the evidence of Forrest Rogers, President of B. C. S. R., a more appropriate basis for estimating annual capacity of a cane sugar refinery would be to take 225 operating days a year.[1] This probably is a somewhat conservative figure as it is based on a 5-day week with complete shutdown for employees' holidays and for annual overhaul.

3. Production and Consumption of Sugar in Canada

Table 1 shows the production of cane and beet sugar in Canada for the period 1926 to 1955, and also the proportion which the production of beet sugar has formed of the total in each year.

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1. Hearing, pp. 169-170.

Table 1 - Production of Refined Sugar in Canada, 1926-55

(Thousands of Pounds)

Year	Cane	Beet	Total	% of Beet
1926	1,068,394	70,388	1,138,782	6.2
1927	918,164	60,969	979,133	6.2
1928	862,964	64,653	927,617	7.0
1929	862,502	69,399	931,901	7.4
1930	848,233	94,625	942,858	10.0
1931	891,000	107,139	998,139	10.7
1932	812,482	132,017	944,499	14.0
1933	740,198	131,393	871,590	15.1
1934	774,760	114,003	888,763	12.8
1935	849,160	119,858	969,018	12.4
1936	937,225	156,066	1,093,291	14.3
1937	905,113	120,440	1,025,553	11.7
1938	900,449	143,014	1,043,463	13.7
1939	987,266	169,320	1,156,587	14.6
1940	943,205	213,603	1,156,807	18.5
1941	1,010,874	215,879	1,226,753	17.6
1942	612,052	189,067	801,119	23.6
1943	741,289	129,268	870,557	14.8
1944	852,299	165,319	1,017,618	16.2
1945	816,692	163,838	980,530	16.7
1946	754,166	205,780	959,945	21.4
1947	928,447	156,263	1,084,710	14.4
1948	1,182,498	175,641	1,358,139	12.9
1949	1,161,058	224,854	1,385,912	16.2
1950	1,227,764	300,185	1,527,950	19.6
1951	1,062,684	247,753	1,310,437	18.9
1952	1,122,877	298,245	1,421,122	20.9
1953	1,103,991	245,476	1,349,467	18.2
1954	1,208,477	232,075	1,440,551	16.1
1955	1,303,615	274,517	1,578,132	17.4

Source: Dominion Bureau of Statistics, The Sugar Refining Industry.

Although the proportion of beet sugar to total production shows considerable variation over the period, the long-run trend appears to be upward. The production of cane sugar during the war years was affected, of course, by the allocation of raw sugar among Allied countries.

The available supply of refined sugar for the same years

is shown by the figures in Table 2 which include imports and exports of sugar as well as domestic production.

Table 2 - Domestic Disappearance of Refined Sugars, 1926-55

(Thousands of Pounds)

Year	Production	Imports (Includes Raw Sugar Imported by Other Than Refiners)	Exports	Domestic Disappearance
1926	1,138,782	30,550	285,215	884,117
1927	979,133	34,822	195,752	818,203
1928	927,617	46,034	48,140	925,511
1929	931,901	41,593	28,531	944,964
1930	942,858	50,813	21,815	971,855
1931	998,139	20,706	14,938	1,003,907
1932	944,499	3,787	9,048	939,237
1933	871,590	5,459	17,994	859,055
1934	888,763	5,104	10,687	883,181
1935	969,018	4,292	3,807	969,502
1936	1,093,291	4,926	3,753	1,094,464
1937	1,025,553	7,577	2,466	1,030,664
1938	1,043,463	9,995	3,323	1,050,135
1939	1,156,587	7,990	1,804	1,162,773
1940	1,156,807	17,822	486	1,174,143
1941	1,226,753	23,995	7,867	1,242,881
1942	801,119	15,581	16,143	800,557
1943	870,557	15,446	2,239	883,764
1944	1,017,618	14,182	16,395	1,015,405
1945	980,530	11,386	44,780	947,136
1946	959,945	15,574	2,098	973,421
1947	1,084,710	18,072	2,296	1,100,486
1948	1,358,139	16,175	1,074	1,373,240
1949	1,385,912	8,493	1,690	1,392,715
1950	1,527,950	12,650	21,004	1,519,596
1951	1,310,437	26,138	2,373	1,334,202
1952	1,421,122	46,978	10,638	1,457,462
1953	1,349,467	44,182	4,600	1,389,049
1954	1,440,551	27,442	628	1,467,365
1955	1,578,132	30,423	2,303	1,608,252

Source: Dominion Bureau of Statistics, The Sugar Refining Industry.

Included in the import figures in the above table are the amounts of raw sugar imported by wine producers for use in that industry. While imports also show considerable variation over the years, only in one of the early years shown in the above table did they exceed 5 per cent of the Canadian production. The sharp reduction in imports after 1931 followed the establishment of a fixed valuation for duty purposes under Customs regulations. This fixed valuation was suspended during the war and has not been re-introduced. In most years exports have been a relatively small factor in Canadian sugar trade.

The per capita consumption of sugar in Canada appears to be very stable and the enlargement of supply is necessitated to provide for the needs of an expanding population. It was stated in the inquiry that per capita consumption for a considerable period has been about 96 pounds per year and if the estimated population for 1954 is taken the figure for that year would be approximately 96.5 pounds. Of course, the per capita figures for various parts of Canada would be affected by the location of the principal industries consuming sugar in manufacturing, such as the biscuit and confectionery industry, the carbonated beverage industry, the fruit and vegetable preparation industry and the bread and other bakery products industry. These four industries are reported to account for over 80 per cent of all sugar used in manufacturing in Canada. The following table was presented in the Statement of Evidence to show the amount of refined sugar used in manufacturing in Canada in some recent years.

Table 3 - Disposal of Refined Sugar in Canada, 1950-53

(Thousands of pounds)

Year	Consumed in Manufacturing	Available for Direct Consumption
1950	599,505	806,991
1951	581,708	791,345
1952	616,582	801,112
1953	649,941	767,670

Source: Dominion Bureau of Statistics.

Table 4 shows the number of persons employed in the sugar refining industry for the period 1926 to 1955, also the gross value of production and the value added by manufacture.

Table 4 - Employment and Value Added* by Manufacture in the Canadian Sugar Refining Industry, 1926-55

Year	Employment	Gross Value $	Value Added $
1926	2,916	64,270,687	15,422,000
1927	2,711	60,502,664	13,364,000
1928	2,381	52,085,155	11,533,000
1929	2,325	47,151,960	11,512,000
1930	2,281	42,935,722	12,325,000
1931	2,265	43,136,423	14,766,000
1932	2,140	41,022,589	15,306,000
1933	2,092	37,189,960	13,445,000
1934	2,080	36,007,208	11,004,000
1935	2,134	36,597,997	10,496,000
1936	2,559	40,405,377	11,430,000
1937	2,332	40,916,044	10,952,000
1938	2,318	41,392,096	11,558,000
1939	2,399	49,896,763	15,079,000
1940	2,538	57,274,122	13,798,000
1941	2,642	62,402,709	14,848,000
1942	2,326	45,969,711	11,460,000
1943	2,274	51,239,749	11,429,000
1944	2,590	63,874,868	14,365,000
1945	2,713	61,821,443	13,832,000
1946	2,633	61,181,621	13,748,000
1947	3,003	80,194,369	14,205,000
1948	3,267	113,510,547	22,726,000
1949	3,587	116,767,430	23,703,000
1950	3,919	144,872,567	31,146,000
1951	3,562	139,109,277	28,728,000
1952	3,492	129,038,298**	33,045,000
1953	3,388	117,952,452**	35,721,000
1954	3,426	117,807,453**	33,281,000
1955	3,376	119,672,837**	33,002,905

* Gross value of products less cost of materials, fuel and electricity.

** Beginning in 1952, the gross value of production is replaced by gross value of shipments, f.o.b. plant.

Sources: Dominion Bureau of Statistics, The Sugar Refining Industry, The Canada Year Book.

The value of products, other than refined sugar, forms a relatively small part of the total value of production in the sugar refining industry, as will be seen from Table 5.

Table 5 - Value of Production of Refined Sugar and By-Products in Canada, 1926-55

(Selling Value at the Factory in Thousands of Dollars)

Year	Refined Sugar	Syrups (not including molasses)	Cane Molasses	Beet Molasses	Beet Pulp Wet & Dried	Other Products
1926	63,207	202	(432)		295	135
1927	59,718	219	(283)		252	30
1928	51,303	202	(278)		280	22
1929	46,160	214	(455)		296	26
1930	42,150	219	209	186	139	33
1931	43,339	194	(259)		170	-
1932	40,544	177	(163)		139	-
1933	36,794	176	42	68	110	-
1934	35,452	195	52	53	232	23
1935	35,816	213	108	188	246	29
1936	39,449	167	109	208	470	-
1937	40,254	192	83	150	238	-
1938	40,726	169	98	181	215	5
1939	49,016	178	92	203	361	46
1940	56,035	163	150	419	453	55
1941	60,757	184	234	495	664	70
1942	44,931	316	168	696	603	156
1943	49,830	377	249	476	308	-
1944	62,061	589	287	483	472	-
1945	59,991	542	262	569	457	-
1946	58,913	554	227	768	720	-
1947	77,429	699	437	839	791	-
1948	110,031	1,031	579	850	1,019	-
1949	113,238	631	264	900	1,735	-
1950	140,117	929	307	1,047	2,473	-
1951	133,896	974	423	1,548	2,269	-
1952	124,229	868	331	1,157	2,453	-
1953	113,924	873	268	665	2,222	-
1954	113,556	1,288	253	731	1,980	-
1955	116,125	708	234	541	2,064	-

Source: Dominion Bureau of Statistics, The Sugar Refining Industry.

Granulated sugar constitutes the preponderant part of the production of refined sugar in Canada, but the production of yellow or brown sugars has occupied a significantly larger share of production in Canada than it has in the United States. In the latter country, the production of yellow or brown sugar forms only 2 or 3 per cent of the total production of cane sugar, whereas in Canada the proportion for many years has been from 10 to 12 per cent. It will be noted that the production of yellow or brown sugar has been related to cane sugar alone, because such sugars for human consumption are not made from beet sugar.

That the opportunity for Canadian cane sugar refiners to dispose of a substantial proportion of their production in the form of yellow or brown sugar has existed for a considerable period is borne out by the following extract from a brief, apparently prepared in the United States, which was enclosed with a letter of December 6, 1938 from C. H. Houson, then President of Canada and Dominion Sugar Company to E. T. Rogers, then President of B. C. S. R.:

> ". . .
>
> There is a very great difference in favor of refining practice in Canada as compared to this country in respect to yellow sugar. In Canada, yellow sugars constitute about 12% of total sales. Consequently, the refiners make 87 lbs. of granulated and 12 lbs. of yellow instead of 93 lbs. of granulated and 6 lbs. of molasses. The net result is that they net about 15¢ more per hundred pounds of raw than they would under the practice in this country with the same spread between raw and refined. Moreover, this is an added protection against importation of refined sugar from countries producing mainly granulated sugar.
>
> . . ."

(AMF 51C -77)

The relative quantities in which the various classes of refined sugar are shipped may be indicated by the figures for 1954, shown in Table 6. In considering the data in Table 6 it must be borne in mind that yellow or brown sugar is made only in cane sugar refineries.

Table 6 - Shipments of Refined Sugar, by Classes, 1954

	Quantity	Value of Shipments
	lb.	$
Sugar:		
Made from cane	1,191,789,711	89,496,750
Made from beets	276,820,638	24,059,506
Total sugar	1,468,610,349	113,556,256
Granulated	1,248,624,992	96,047,544
Yellow or brown	131,737,594	9,551,082
Pulverized (no starch added)	6,275,454	508,228
Icing (starch added)	70,104,309	6,220,787
Loaf	11,868,000	1,228,615

Source: Dominion Bureau of Statistics, The Sugar Refining Industry, 1954

The annual domestic sales of each of the Canadian sugar refining companies, except Quebec Sugar Refinery, are shown in Table 7 for the years 1931 to 1954.

Table 7 - Total Annual Domestic Sales of Refined Sugar by Individual Refiners, 1931-55

(Millions of Pounds)

Calendar Year	B. C. S. R.	C. S. F.	Manitoba[1] Sugar	Canada &[1] Dominion	St. Lawrence Sugar	Acadia-[2] Atlantic
1931	163	25	-	341	160	-
1932	160	34	-	318	155	-
1933	138	46	-	292	136	-
1934	150	48	-	300	155	-
1935	151	53	-	317	169	-
1936	163	45	-	316	178	-
1937	151	62	-	351	169	-
1938	146	84	-	347	168	-
1939	153	79	-	379	190	-
1940	147	76	8	353	178	298
1941	141	88	23	358	179	314
1942	99	104	30	282	154	224
1943	91	92	27	288	144	250
1944	111	95	23	331	169	273
1945	92	97	21	280	143	246
1946	95	97	21	299	154	258
1947	122	128	21	377	192	297
1948	173	86	18	430	220	369
1949	163	91	39	450	236	369
1950	185	77	38	458	240	380
1951	144	113	33	447	191	364
1952	168	103	38	523[3]	238	361

Table 7 (continued)

Calendar Year	B. C S. R.	C. S. F.	Manitoba[1] Sugar	Canada &[1] Dominion	St. Lawrence Sugar	Acadia-[2] Atlantic
1953	146	125	40	466	222	372
1954	149	126	44	471	242	393
1955	164*	113*	52*			

1. Fiscal year.

2. Information with respect to the old Acadia Sugar Refining Company Limited is not available, so prior to 1940 its sales cannot be combined with those of Atlantic Sugar Refineries Limited.

3. Fifteen months.

Source: Written returns of information made to the Director of Investigation and Research.

* Figures given by B. C. S. R. in letter of November 22, 1956 to the Commission.

4. Customs Duties, Raw and Refined Sugar

The tariff situation in Canada is a rather complex one because of the variety of forms in which cane sugar enters into international trade. The raw sugar of commerce is processed in sugar mills in the countries producing the sugar cane. While raw sugar purchased for further refining usually consists of about 96 degrees polarization (approximately 96% pure sugar), it is possible by additional processing at raw sugar mills to produce what are called "plantation whites" and tropical bleached sugars which test as high as 98 or 99 degrees.

The Canadian tariff on sugar, which has remained unchanged in its essential aspects for a great many years, has consisted of two features to embrace both the sugar content and colour features. The latter are dealt with by what is known as the "Dutch standard" of colour which had its origin in 1839 in connection with sugar auctions in the Netherlands. The classifications at first ranged from 1 to 21, embracing colours from dark brown to white, but since 1906 the range of numbers has been from 8 to 25. In the Canadian tariff schedule for sugar the Dutch standard number 16 is used for the purpose of classification for colour. For this test a comparison is made between a sample of number 16 Dutch standard sugar, obtained annually from the Netherlands Government, and the colour of the imported sugar. Sugar testing above number 16 of the Dutch standard cannot be imported under the rates of duty applying to raw sugar except under bond for refining purposes by a recognized sugar refiner. As the Canadian tariff for sugar contains specific rates of duty on a per pound basis the items relating to sugar contain detailed schedules of rates depending upon the actual sugar content of a shipment. The principal tariff items are Item 135, which applies in the main to raw sugar imported for refining purposes, and Item 134, which applies to refined and other sugar. For purposes of illustration the rates applying to 96^{o} raw sugar and over 99^{o} refined sugar are shown.

Tariff Item	Goods Subject to Duty	British Preferential Tariff	Most-Favoured Nation & General Tariff
135	Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour,		

Tariff Item	Goods Subject to Duty	British Preferential Tariff	Most-Favoured-Nation & General Tariff
	When exceeding ninety-five degrees but not exceeding ninety-six degrees . . . . . per one hundred pounds	28.712 cts.	$1.28712
	. . .		
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item No. 135,		
	. . .		
	When exceeding ninety-nine degrees . . .. per one hundred pounds	$1.09	$1.89

The significance of the Dutch standard test in relation to the two scales of duty was pointed out in the following portion of the submission of E. T. Rogers, then President of B. C. S. R., to the Tariff Board in 1939:

> "The present tariff provides for a higher rate of duty on refined sugar than on raw, with a view to protecting the domestic refining industry, as well as providing additional protection for the beet industry, and the Dutch standard is used to determine whether certain types of sugar should be classified as 'refined' or 'raw', as there is no precise definition of those terms. If the Dutch standard were abolished, tariff item 134 would be meaningless, because the country would be flooded with Plantation White and other forms of direct consumption sugar, which would not come under the category of 'refined sugar' according to the generally accepted meaning of the term, and so would be assessed duty under tariff item 135 as if it were raw sugar. Large quantities of this sugar are produced in Central America, Java, and many other countries."[1]

In considering the degree of protection which is afforded to the production of beet and cane sugar in Canada, regard must be had for some factors bearing on the imports of raw and refined sugar. In the first place, the evidence in the inquiry and the trade figures indicate that imports of refined sugar under the British Preferential

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1. Tariff Board, Reference No. 106 - Sugar (1939), Transcript of Proceedings, pp. 64-65.

Tariff have not been significant and that the rate of duty under the Most-Favoured-Nation and General Tariff is, from this point of view, the operative rate.

On the other hand, although supplies of raw sugar for refining in Canada are largely secured from Commonwealth countries, the production of Commonwealth sugars is not sufficient to meet all the demands in markets with preferential tariff rates. Commonwealth producers are, therefore, able to sell their sugars above the world price up to a level approaching the differential provided by the preferential tariff rate. This present situation also appears to have prevailed before World War II as indicated in the following extract from the brief previously referred to, which was sent on December 6, 1938 by C. H. Houson to E. T. Rogers:

> ". . .
>
> Great Britain's preferential rate on empire raw sugars is .81¢ per pound less than on world sugars, while,as shown above, the Canadian tariff provides for 1¢ per pound differential. Great Britain's refiners are thus willing to pay a .81¢ per pound more for empire than for world sugars and Canadian refiners can afford to pay 1¢ per pound more. Actually, since Great Britain determines the world market, Canadian refiners are usually able to buy preferential duty sugars at around .85¢ per pound above world sugar prices. In actual practice, therefore, this has the effect of affording .15¢ more protection against non-preferential sugars than is indicated by the tariff rates. In other words, the actual result is a protection of about .75¢ per pound against world refined sugars instead of .603¢.
>
> . . ."

(AMF 51C-77)

In the latter part of this extract the writer is apparently referring to the extent of the difference between the rates of duty for raw and refined sugar under the Most-Favoured-Nation Tariff. This amounts to 60.3 cents per hundred pounds as seen from the rates set out above as follows:

	Most-Favoured-Nation and General Tariff
Refined sugar exceeding ninety-nine degrees	$1.89
Raw sugar between ninety-five and ninety-six degrees	$1.287
	.603

However, the statement in the extract is not exact, as other aspects should be taken into consideration:

(1) Since about 107 pounds of raw cane sugar are required to produce 100 pounds of refined sugar it is the duty on 107 pounds of raw sugar that should be taken into account when comparing the duty on raw with the duty on refined sugar. This duty works out as follows:

Duty on 100 pounds of raw sugar	$1.287
Duty on 107 pounds of raw sugar is	
$\frac{107}{100} \times 1.287 =$	$1.377

(2) Although Canadian requirements of raw sugar come in the main from Commonwealth countries on which the Preferential Tariff is 28.712 cents per 100 pounds as against $1.28712 under the Most-Favoured-Nation and General Tariff, the producers in Commonwealth countries appropriate about 85 per cent or 85 cents of the $1.00 advantage in Preferential duties which apply on imports. Thus Commonwealth raw sugar for refining enters Canada at about $1.14 above the world price, this figure being arrived at as follows:

World price	"X"
Commonwealth Preferential Tariff	28.712 cents
Proportion of Commonwealth advantage over Most-Favoured-Nation Tariff appropriated by Commonwealth producers	85 cents
	113.712 cents

If we now apply the ratio of 107 pounds of raw sugar to 100 pounds of refined referred to under (1) above, this amount of approximately $1.14 becomes 1.2167. The result is that cane sugar refined in Canada has a net protection of 67.33 cents per 100 pounds against cane refined in other countries whose exports are subject to the Most-Favoured-Nation Tariff. (The figure of 67.33 cents is arrived at by subtracting $1.2167 from the Most-Favoured-Nation Tariff rate of $1.89).[1]

Beet sugar refined in Canada has the protection of $1.89 per 100 pounds against imports of refined sugar and its advantage in this respect is greater by $1.2167 than that of domestic cane refining.

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1. The above calculations do not take into account the possible effect of recovery from syrup and molasses in the refining process.

CHAPTER III

DEVELOPMENT OF BEET SUGAR PRODUCTION IN THE PRAIRIE PROVINCES

1. General Aspects of Beet Sugar Production

The first steps in the development of beet sugar production in Canada have already been touched on in this report. The position which beet sugar has occupied in the world supply of sugar is described in the Statement of Evidence as follows:

> "Until the eighteenth century the sole source of any significance of sugar was the sugar cane. The pioneer of the beet sugar industry was a German scientist, Professor Andreas Marggraf who in 1747 presented a paper to the Berlin Academy on the production of beet sugar crystals. Research was carried forward by his pupil, Franz Achard, who built a small factory in Silesia about 1800 and began producing small quantities of beet sugar. Experiments were continued in France and the development of the processes had reached such a stage by 1811 that Napoleon became convinced that Europe could be made independent of the West Indies as a source of supply of sugar, thus defeating the British embargo in effect at the time. Measures were taken to stimulate the development of a beet sugar industry. By the end of the year 1813, output of beet sugar in France had reached 2,200 tons, and Germany and Austria were well on their way towards self-sufficiency in the production of sugar. The downfall of Napoleon brought the removal of protection for the beet industry and the competition of cane sugar virtually destroyed the industry. At this time only one beet sugar factory in Europe survived. However, the new industry had taken sufficient root to demand and receive various forms of state aid. Where direct promotional measures were not taken, the revenue tariff on imported cane sugar served, at first incidentally and later deliberately to protect home grown beet sugar. Germany led in the re-establishment of the industry and by 1840 the sugar beet provided about 5% of world sugar production. From 1830 on, many attempts were made to establish a beet sugar industry in North America but it was not till 1879 that a plant was established on a permanent basis in California. By 1880, world production of beet sugar exceeded world production of cane sugar, and beet sugar remained in a

leading position in most years until World War I. During the war, sugar beet acreage was greatly curtailed and there was a marked increase in the acreage of cane. By the beginning of World War II, 35 to 40 per cent of the world's supplies of sugar again came from sugar beets, but once more as the war progressed, sugar beet acreage declined. Currently, beet sugar again accounts for something over 35% of the total supply of sugar. . . ."

In terms of yield per acre the production of sugar cane results in a much larger quantity of sugar than that secured from an acre devoted to sugar beets. The differing production factors applying to the two crops are considered in the following portion of the Statement of Evidence:

"The yield of sugar cane per acre can vary up to 75 tons although exceptional yields up to 110 tons have been secured.[1] Normally, 9 to 11 pounds of sugar are obtained from 100 pounds of cane, though this may also vary from a low of 5 pounds to a high of 18 pounds.

For one acre planted to sugar cane, therefore, a recovery of 10,000 pounds of sugar might be expected in the more favourable producing areas*. On the other hand in the United States, the yield per acre planted to sugar beets in recent years has averaged about 16 tons with a recovery of less than 15 pounds of refined sugar per 100 pounds of beets sliced. An acre of sugar beets could not therefore be expected to produce much more than 5,000 pounds of sugar. Moreover, in addition to having to face lower yields per acre, the beet sugar producer has also to face higher costs per acre. The sugar cane is almost entirely a product of tropical or semi-tropical areas whereas the sugar beet is a product of the temperate zone. Taxes and land values therefore would normally be expected to be higher in the sugar beet producing area. Further, according to Stocking and Watkins: 'The greatest competitive drawback of beet sugar in the past has been its high labor cost, a function both of its heavier requirement of man-hours than any other basic crop and

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1. Commodity Research Bureau, Inc., Commodity Year Book 1939, New York, 1939, p. 274.

[* Note: The average yield of sugar cane per acre in Puerto Rica in 1953, was 30 tons and the average production of 96° raw sugar per ton of cane was 221 pounds (U.S. Department of Agriculture, The Sugar Situation, March 12, 1956)]

of the relatively high cost of labor in temperate regions, where beet cultivation is practiced.'[1] These high labour costs in the agricultural end of the sugar beet industry, are apparently declining to some extent as mechanization becomes more widespread. Mechanical blocking and thinning is becoming more practical with the greater use of segmented or pelleted seed. R. H. Cottrell[2] refers to a recent study in which the trend in labour requirements in the beet sugar industry in the United States is indicated as follows:

Year	1915	1922	1930	1936	1947-48	1947-48 (using mechanical harvesting)
Total man hours required to produce an acre	120.0	116.0	100.3	93	82.2	60.2

Nevertheless, according to B. C. Swerling, 'Estimates of production costs demonstrate fairly clearly that, without fiscal aid, beet sugar could not compete with the output of the foremost cane-sugar areas, such as Java, Cuba, and the Philippines. Recent mechanical advances in American beet fields may have somewhat reduced that inferiority, but comparable advances are also in prospect for cane producers.'[3] It should be noted that in Canada, mechanization in the production of sugar beets has not advanced so far as it has in the United States. It is estimated[4] that about 44% of the more than 36,000 acres of sugar beets harvested in Alberta in 1955 were machine harvested, but mechanical blocking, thinning, weeding and cultivation are much farther behind the practice followed in some areas in the United States. Another aspect of the higher labour costs of growing sugar beets is referred to by R. H. Cottrell as follows: 'Very few beet-growing communities have sufficient local, seasonal field labour to handle the spring and fall beet-growing operations.

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1. George W. Stocking and Myron W. Watkins, Cartels in Action, The Twentieth Century Fund, New York, 1947, p. 52

2. R. H. Cottrell, Beet Sugar Economics, Idaho, 1952, p. 181.

3. B. C. Swerling, International Control of Sugar, 1918-41, p. 11. [Stanford University Press, 1949]

4. F. H. Newcombe, Director of Agricultural Extension Service, Alberta Department of Agriculture, at the Thirteenth Federal-Provincial Farm Labour Conference, Ottawa, December 8 and 9, 1955.

It is necessary to bring in transient workers. Usually a substantial part of the cost of recruitment and transportation is borne by the company.'[1] In this connection, press reports indicate that in Canada it is difficult to get ordinary workers to perform the unskilled 'stoop labour' required, and help has been sought among Canadian Indians and immigrant groups. The following is a breakdown of employment in the Alberta sugar beet fields in 1955 prepared by F. H. Newcombe, Director of Agricultural Extension Service, Department of Agriculture in the Province of Alberta:

'Analysis of Sugar Beet Work

Worked by:	Acres	% of Total
Japanese	2,814	7.73
Pre-war European & Miscellaneous	3,447	9.47
Growers' own families	6,485	17.82
Post-war European (excluding 1955)		
Dutch	4,649	12.77
Others	13,972	38.40
1955 Immigrants		
Dept of Labour & Miscellaneous	2,689	7.39
Dutch	471	1.29
Mennonite	619	1.70
Indian	1,243	3.43
TOTAL	36,389	100' "

According to evidence given at the hearing before the Commission by Forrest Rogers, President of B. C. S. R., mechanization of the beet sugar industry in Alberta is being carried further. In 1955, 10.2 per cent of the crop was worked with thinning machines and 49.98 per cent of the crop was harvested mechanically.[2] The development of new seed strains to reduce the amount of thinning in the production of the sugar beet crop was referred to by Mr. Rogers as follows:

"Q. Then, I believe, that in some areas of the United States the amount of thinning necessary has been reduced by the use of segmented seed.

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1. R. H. Cottrell,op. cit., p. 55.

2. Hearing, pp. 148-149.

A. Yes.

Q. Is that used very much in Alberta?

A. Yes, it is being used in increasing amounts, every year. I might be able to give a figure on that. I will have to look it up again in here. I find that 84.6 per cent of the entire crop was planted with decorticated seed. I might point out that decorticated seed is an advanced step from segmented seed. I think perhaps I could explain what it is.

Q. Yes, would you do so?

A. Well, in a seed bulb, as it comes on the plant, as originally grown, there are two or three, or perhaps five or six seed germs; and by decorticating the seed -- that is, by breaking it down -- we get, if possible, a single seed germ in each piece of broken down seed. A great deal of the cork surrounding the seed germ is then removed later by cleaning.

The idea, of course, is to plant individual seeds in the row, and have fewer multiple seedlings to hand-weed or mechanically remove from the soil.

As I say, we used 84.6 per cent last year, and we expect that will increase gradually. Within the next few years it should be 100 per cent, with another type of seed that is gradually making its appearance, and that is a monogerm seed. That is a seed bred to contain one, single germ in the seed bulb.

So far we have not made much progress with that, because the monogerm seed we have is not adaptable for Alberta or Manitoba growing conditions. Our agricultural research department is engaged in a program of trying to breed a cross to develop a proper strain, the proper characteristics in a monogerm seed which can be used under Alberta and Manitoba conditions. Of course, it will take some time to do that."

(Hearing, pp. 149-150)

In an article in the New York Times of September 18, 1956 it was stated that planting of the new monogerm seed on a wide commercial scale was expected in the United States by 1958. In addition to reducing greatly the amount of labour required to thin the sugar beet crop the introduction of the monogerm seed was also expected to increase the yield per acre.

The amount of sugar which can be secured from the crop from an acre of sugar beets depends upon the yield of beets and their sugar content. The following comment on factors affecting the output from beets grown in Alberta was made in a memorandum prepared by T. George Wood, then General Manager of C. S. F. :

> ". . .
>
> The amount of sugar which can be produced from any given acreage of beets is dependent, naturally, on the cultural, climatic, and seasonal conditions. Inasmuch as the sugar beet growing area in Alberta under irrigation is at the extreme northern limit of profitable sugar beet production, we are not able to produce, under our most favorable conditions, as high a tonnage of beets per acre as in districts farther south with a longer growing period and warmer summer weather.
>
> This is partially compensated, however, by the fact that due to the long hours of sunshine in Alberta under favourable conditions sugar beets ripen to contain an unusually high sugar content. . . .
>
> . . ."

(ATH 70-78)

The following table contained in the Statement of Evidence compares the sugar beet crops in the United States and in Alberta and Manitoba in terms of tons of beets per acre and pounds of sugar produced.

Table 8 - Comparison of Yields per Acre of Sugar Beets Harvested in the United States and Western Canada, 1935-54

Year	United States Yield per acre harvested		C. S. F. Yield per acre harvested		Manitoba Sugar Yield per acre harvested	
	Tons of beets	Pounds of sugar	Tons of beets	Pounds of sugar	Tons of beets	Pounds of sugar
1935	10.4	3,106	9.5	3,191		
1936	11.6	3,361	10.7	3,558		
1937	11.6	3,408	11.5	3,813		
1938	12.4	3,619	12.3	4,027		
1939	11.7	3,575	11.6	3,744		
1940	13.4	3,855	13.5	3,926	5.7	1,403
1941	13.7	3,942	12.2	4,005	8.3	2,143
1942	12.2	3,390	11.8	3,775	8.1	1,865
1943	11.9	3,400	9.0	2,846	6.9	1,936
1944	12.1	3,528	11.3	3,520	8.6	2,333
1945	12.1	3,341	11.1	3,297	8.0	1,870
1946	13.2	3,546	12.3	3,592	8.2	2,185
1947	14.2	3,911	11.6	3,413	6.9	1,658
1948	13.6	3,689	10.3	3,132	8.0	2,140
1949	14.8	4,253	9.6	2,444	8.0	2,232
1950	14.6	4,060	11.6	3,447	6.8	1,741
1951	15.2	4,191	10.0	2,473	8.8	2,109
1952	15.3	4,231	12.3	3,877	7.6	2,169
1953	16.2	4,556	11.4	3,394	8.9	2,289
1954	16.1	4,358	11.4*	3,071	9.5*	2,390

[for sources and footnote see following page]

Table 9, also contained in the Statement of Evidence, shows the average price per ton of beets received by farmers in the United States, Alberta and Manitoba.

Sources of Table 8

Agricultural Marketing Service, United States Department of Agriculture, The Sugar Situation, March 12, 1956.

Returns of information made to the Director by C. S. F. and Manitoba Sugar.

Footnote of Table 8

* Dominion Bureau of Statistics, Quarterly Bulletin of Agricultural Statistics, January-March 1956, gives the following figures for average yield: Alberta, 11.97 tons in 1954 and 11.82 tons in 1955; Manitoba, 10.08 tons in 1954 and 9.92 tons in 1955.

Preliminary estimates of average yield per acre in 1956 are: Alberta, 12.79 tons and Manitoba, 10.00 tons.

Table 9 - Average Price per Ton of Beets Received by Farmers in the United States, Alberta and Manitoba, 1935-54

Year	United States			Alberta	Manitoba	
	Average Price	Payments under Government Sugar Program	Total Receipts per Ton	Average Price[1]	Government Parity Benefits	Total Receipts per Ton
	$	$	$	$	$	$
1935	5.76	1.13	6.89	5.76		
1936	6.05	-	6.05	6.65		
1937	5.26	1.87	7.13	6.34		
1938	4.65	1.86	6.51	6.69		
1939	4.76	1.93	6.69	7.46		
1940	5.11	1.83	6.94	7.11	-	6.65
1941	6.43	1.85	8.28	8.79	-	7.45
1942	6.84	2.41	9.25	9.53	-	8.10
1943	7.45	3.89	11.34	10.33	1.25	10.23
1944	7.72	5.49	13.21	10.92	1.32	9.47
1945	8.09	4.61	12.70	10.57	1.11	8.54
1946	11.10	2.43	13.53	12.17	2.86	11.03
1947	10.50	3.74	14.24	14.98	2.85	12.55
1948	10.60	2.41	13.01	14.98	3.18	14.32
1949	10.80	2.47	13.27	13.65	-	14.33
1950	11.20	2.41	13.61	18.45	-	15.50
1951	11.70	2.40	14.10	14.34	-	14.31
1952	12.00	2.35	14.35	16.08	-	14.43
1953	11.60	2.33	13.93	14.23	-	12.21
1954	10.80	2.35	13.15	13.12*	-	11.96*

1. It is assumed that benefit payments are included, as in the years indicated for Manitoba.

Sources: Agricultural Marketing Service, United States Department of Agriculture, The Sugar Situation, March 12, 1956.

Written returns of information made to the Director by C. S. F. and Manitoba Sugar.

* Dominion Bureau of Statistics, Quarterly Bulletin of Agricultural Statistics, January-March 1956, gives the following farm prices for 1955: Alberta, $14.70 per ton; Manitoba, $12.00 per ton.

The total production of sugar beets in Alberta and Manitoba and the total farm value of the crop are shown in Table 10.

Table 10 - Acreage, Production and Total Farm Value of Sugar Beets, Alberta and Manitoba, 1930, 1935, 1940-56

Year	Alberta			Manitoba		
	Acreage	Total Production	Total Farm Value	Acreage	Total Production	Total Farm Value
		'000 tons	'000 $		'000 tons	'000 $
1930	14,500	131	858			
1935	14,100	139	812			
1940	24,000	336	2,402	18,000	95	556
1941	24,000	297	1,782	17,000	93	509
1942	28,000	342	3,181	15,000	129	942
1943	29,000	298	2,235	14,000	109	654
1944	29,000	337	3,683	10,000	80	744
1945	30,000	363	2,904	10,000	82	558
1946	30,000	387	4,706	12,000	98	1,080
1947	29,000	366	5,485	9,000	65	813
1948	29,000	324	4,860	10,000	80	1,127
1949	32,000	328	4,476	16,000	127	1,817
1950	36,000	445	8,213	20,000	150	2,325
1951	33,000	349	5,007	19,000	178	2,554
1952	37,000	480	7,716	16,000	124	1,792
1953	34,701	422	6,009	17,455	162	1,980
1954	36,966	443	5,807	23,510	237	2,835
1955	36,393	430	6,323[1]	20,755	206	2,472[1]
1956	36,210[2]	463[2]		23,000[2]	229[2]	

1. Based on estimated total payments.

2. Preliminary.

Sources: Dominion Bureau of Statistics, Canada Year Book, (for the years 1930-52).

Quarterly Bulletin of Agricultural Statistics, January-March 1955 and January-March 1956 (for the years 1953-55).

November Estimate of Production of Principal Field Crops, Canada, 1956, (for the year 1956).

Along with other agricultural crops which are harvested in the fall, the production of sugar beets in Alberta and Manitoba must run the risk of unfavourable harvest conditions. The early history of the production of sugar beets in Alberta is marked by a number of occasions on which great difficulties were encountered in harvesting beets and processing them because of severe weather or heavy snow. In recent years difficulties created by unfavourable weather appear to have arisen less frequently but they still occur as indicated by the following comment in the annual report to shareholders of B. C. S. R. for the year ended September 30, 1952:

> ". . .
>
> The 1951 season was probably the worst ever experienced by Alberta growers and in turn by our processing units. Planting was delayed due to an extremely late spring, and during the year snow was experienced every month of the year with the exception of August. When harvesting started in September we had continued snow and rains, making it most difficult to get the beets out of the field . . . ."

Apart from problems created by weather conditions, the perishability of sugar beets once they are harvested makes it necessary to complete the processing of the beets within a short period. This means that sugar beet factories are operated only for three or four months during the fall and early winter. For the remainder of the year the factory stands idle so that overhead costs must be borne by the production of a few months. The seasonal operation of the beet sugar factories entails the recruitment each year of a considerable number of workers for the limited period of manufacturing. The fact that the manufacture of beet sugar is carried on for only a quarter or third of the year means that stocks of refined sugar must be carried for a considerable time if supplies are to be available to the trade during all or a substantial part of the year.

The beet sugar factories in Alberta and Manitoba have a substantial advantage in location which has been the main factor in the development of a successful beet sugar industry in these provinces. As the market situation in regard to the sale of Western beet sugar will be discussed in some detail later in this report it will be sufficient to note here that prices of cane sugar are built up by taking the price at the port refinery in Vancouver and in Montreal and adding the freight charges to interior points. The prices thus increase eastward from Vancouver and westward from Montreal until the highest price is reached in the east-west direction in the eastern portion of Saskatchewan. A few examples will serve to indicate the magnitude of the freight charges in so far as the Alberta factories are concerned.

Table 11 - Carload Freight Charges on Sugar from Vancouver and Alberta Factories, September 1956

(per hundred pounds)

From / To -	Lethbridge	Calgary	Edmonton	Regina	Saskatoon
Vancouver, B. C.	$1.72	$1.50	$1.72	$2.28	$2.24
Alberta Factories	.13	.30	.60	.70	.75

As the price of beet sugar is kept in direct relationship to the price of cane sugar (although in some areas at a differential below that of cane) the beet factory gains the full freight advantage on sales in the area surrounding the plant and a lesser advantage as sales are made away from the factory on which freight costs are higher. Nevertheless it will be seen from the above examples that the freight advantage for Alberta beet sugar factories remains substantial over wide areas. In the case of Manitoba beet sugar the primary freight advantage is that represented by the freight charges from Montreal to Winnipeg. Because of lake shipping during the navigation season, actual freight charges are higher in winter than in summer but the average freight advantage for Manitoba beet sugar at Winnipeg is approximately $1.75 in relation to the price of sugar at Montreal. When the advantages in location from the viewpoint of freight rates are taken with the protection afforded by the tariff in circumstances when Commonwealth suppliers of raw sugar sell at only slightly less than the world price,[1] it will be seen that beet sugar production in Alberta and Manitoba derives substantial support from these two factors.

In areas where market opportunities for the sale of specialty crops are limited the production of sugar beets may be of considerable advantage to the grower as compared with the production of export crops, such as grain. This appears to be the case in the irrigated land areas in Alberta where sugar beets are grown as well as in the non-irrigated land areas in Manitoba where farmers grow sugar beets. Although one witness before the Commission had the distinction of being the largest grower of sugar beets in Canada, with 275 acres of sugar beets in Manitoba, it appears that both in Manitoba and Alberta the grower devotes only a portion of his land to sugar

1. Including difference in duty.

beets each year, the average acreage per farm in the case of both provinces being between 23 and 25 acres. One witness from Alberta said that the general policy in that territory was that growers should not devote more than a quarter of their acreage to sugar beets.[1]

From an agricultural viewpoint the production of sugar beets is regarded very favourably as the intense cultivation cleans up the land and leaves the soil in good physical condition so that other crops can be rotated with beets in a very satisfactory manner. The beet tops removed before processing and the pulp and molasses produced in the refining operations provide a highly regarded food for cattle and livestock feeding which is now carried on in a substantial way in the sugar beet area in Alberta.

Although chemically pure sugars produced from cane and from beet are the same products, the refiner of beet sugar has had to overcome a prejudice against beet sugar on the part of some sugar users, household and industrial. Early production techniques did not result in beet sugar being as pure as cane sugar and this is said to influence older customers, particularly from Europe, to maintain a preference for cane sugar. It was also indicated by the evidence that unless the utmost care is exercised traces of the beet refining processes may be left on the product which will create difficulties for manufacturers of some food products. While with modern refining methods beet sugar can be produced with no physical difference from cane sugar, in most territories beet sugar continues to be offered to the trade at a lower price than cane sugar. The incentive for this difference may now lie primarily in the field of marketing in order to give greater assurance that the quantity of beet sugar produced in one season will find a market before the next crop arrives. The maintenance of a price differential may also be linked to the fact that, as already pointed out, the beet sugar factory does not supply brown sugar or the range of packages and grades, called sugar specialties, which are available from the cane sugar refiner. It may be considered, therefore, that the wholesaler requires an inducement in the way of a lower price to push the sale of beet sugar. On the other hand, beet sugar, as a local product, has the appeal of a "home product" in the province in which it is produced. With this appeal Alberta beet sugar, in recent years, has been sold in that province without a price differential.

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1. Hearing, p. 472.

2. Expansion of Beet Sugar Production in Alberta

It has already been mentioned that the production of beet sugar was first attempted in Alberta in 1903. The pioneer factory at Raymond, which was operated by the Knight Sugar Company, ceased activity in 1914, when, reportedly, farmers found it more profitable to grow wheat rather than sugar beets. During the period of World War I the factory was moved to Cornish, Utah.

After the end of World War I and the decline in commodity prices farmers on irrigated land in Southern Alberta, particularly in the Raymond district, began to seek the re-establishment of a beet sugar industry in the hope that the production of sugar beets would allow them to make a better return from the use of irrigated land than the production of grain. In 1924, the Utah-Idaho Sugar Company of Salt Lake City, Utah (which had an idle sugar beet factory at Sunnyside, Washington) was persuaded to undertake the experimental growing of beets in the Raymond district. The experiment proved successful and in February, 1925 the idle factory was dismantled, moved to Raymond and by October, 1925 it had been re-built and put into operation, under the name Canadian Sugar Factories Limited. Poor weather conditions occurred during several of the early seasons of operation and great difficulty was experienced in harvesting and processing beets. However, in spite of these difficulties larger acreages of beets were contracted and production expanded. By 1929 farmers were urging the company to expand its operations still further by building a second factory. While not willing to do this, the Utah-Idaho Sugar Company increased operations at the Raymond factory which produced over 26 million pounds of sugar in 1930. By this time the great depression was having its effects and the Utah-Idaho Sugar Company sold its wholly-owned subsidiary, Canadian Sugar Factories Limited, to B. C. S. R. in April, 1931.

Evidence given to the Commission was to the effect that when it became public knowledge that the Raymond factory had been acquired by B. C. S. R. there was considerable apprehension that the acquisition of the beet factory by a cane refinery might lead to the closing of the beet plant. Under the control of B. C. S. R., however, the capacity of the Raymond plant was expanded and production of sugar increased. Even in the first season under the new ownership, in 1931, the output rose to 31 million pounds.

As the depression continued the problems faced by farmers on irrigated lands in Alberta to find crops yielding adequate revenues to meet the cost of irrigation led to further efforts on the part of farmers and the provincial government to find greater opportunities for the production of sugar beets. The provincial government was directly concerned because of the financial support

which had been given to irrigation projects. In spite of the increase in the output of the Raymond factory there was a strong movement in 1934 for the establishment of a second sugar beet factory so that farmers in the Lethbridge Northern Irrigation District could engage in the production of sugar beets. Such a development was at first opposed by B. C. S. R. on the ground that the Raymond factory was producing all the beet sugar which the market could absorb. Writing to the Prime Minister of Canada on January 15, 1934, E. T. Rogers, then President of B. C. S. R. said, in part:

> ". . .
>
> Because our Company supplies the cane sugar as well as the beet sugar consumed in Western Canada, we have been criticised severely for the stand we have taken, the suggestion being that we are holding back development of the beet industry on account of our investment in cane sugar refining facilities in Vancouver. This contention is hardly borne out by the facts. Up to the time that the factory at Raymond was purchased by our Company, its greatest production in any one year was 25,000,000 pounds, but since it passed into our hands we have completely remodelled it and enlarged its capacity (at a cost of $350,000.), with the result that this year it produced 46,000,000 lbs. We did this knowing that the gain in output at Raymond would be offset by a corresponding loss at Vancouver, because we have felt all along that, if we did not supply the popular demand for increased beet facilities, someone else would, and it was more important to us to preserve our market than to attempt to maintain our Vancouver output in face of a demand for larger beet sugar production.
>
> . . ."

(AMF 98-102)

Efforts continued to be made in Alberta for the establishment of a second factory and there were negotiations between the Amalgamated Sugar Company of the United States and the provincial government about governmental assistance for the moving of an idle factory of the company in the United States to a site in Alberta. This proposal was regarded by B. C. S. R. as endangering the successful operation of the beet sugar industry in Alberta, and B. C. S. R. decided that it would build a second factory rather than have a new plant established by another company. The nature of the agreement made with the Government of Alberta in regard to the second factory was described in a letter of April 24, 1935 from E. T. Rogers to the Minister of Natural Resources and Industry in Manitoba, in which province legislation had been passed to guarantee bonds for the construction of a sugar factory in that province. Mr. Rogers wrote:

". . .

Briefly, this agreement provides that our Company will erect a 1000 Ton factory to be ready to operate in 1936, and the Government furnishes a free site, free reservoir, free water, and a fixed assessment with respect to local taxes, and, for a period of ten years, the Government undertakes not to grant any greater concessions to a competitor than those granted to our Company - in other words, the Government agrees not to assist in financing competition against us.

. . ."

(AMF 262-264)

The following description of the situation created by the opening of the second factory was given in a letter of February 18, 1938 from E. T. Rogers to one of the directors of B. C. S. R.:

". . .

When we entered into an agreement with the Alberta Government to build a second factory I knew perfectly well that sooner or later we would be faced with a very serious marketing problem, because with only one factory in operation we had already experienced difficulty in disposing of the output, and it seemed hardly likely that the prejudice against Beet Sugar could be overcome fast enough to take care of the additional output from 5000 acres more Beets. However, it was a case of a choice between two evils, because if we had not build the second factory, the Amalgamated Sugar Co. certainly would have done so, and as their ideas were to plant from 20,000 to 25,000 acres, it is not difficult to imagine what would have happened to the Sugar Market if they had put their plans into effect.

Recently one of the eastern refiners told me that, in his opinion, we were bluffed into building a second plant and that if we had left things alone a second plant would not have been built. It is very easy for someone who is not familiar with the local situation to make such a statement, but from all the information I could obtain at the time, and have obtained since, I am quite positive that if we had not undertaken to build, The Amalgamated Sugar Co. would have done so. The fact that they built a new factory in California just at the time we were building at Picture Butte, and that they are at present building a new factory in Oregon, at least indicates their interest in expansion.

. . ."

(AMF 210-214)

The factory at Picture Butte had been in operation only

for several years when the establishment of a factory at Taber, Alberta was sought by farmers in that district. The following reference to this development was contained in a letter of December 14, 1938 from E. T. Rogers to C. H. Houson, then President of Canada and Dominion Sugar Company:

> ". . .
>
> In Alberta at the present time there is very strong agitation amongst the farmers for a factory at Taber. I had a meeting with the farmers' representatives last week and told them that we could not consider building another factory as long as the two existing plants were not operating at full capacity. I think it will be necessary, however, to increase our acreage somewhat next year in order to satisfy the growers demands at least in part.
>
> . . ."
>
> (AMF 48A-49)

Discussions with the Beet Growers Association about the establishment of a third factory apparently carried on over several years and eventually an agreement was made that a factory would be constructed at Barnwell, Alberta but the project was not undertaken because of war conditions. The following reference to the abandonment of the proposal is contained in the memorandum of T. George Wood, previously mentioned:

> ". . . However, due to the impossibility of construction during the war period this contract, which was originally set for construction not later than 1942, was allowed to lapse and the Sugar Company paid over to the beet growers the sum of approximately $100,000.00 as a condition of allowing the contract to be lapsed.
>
> . . ."
>
> (ATH 70-78)

Following the war C. S. F. took up its plans to build a third factory at Taber rather than Barnwell but farmers further north in the Brooks district were anxious to have a factory constructed in that area. Although it was indicated that the provincial government would be prepared to guarantee bonds for the construction of a beet sugar factory in the Brooks district if local farmers would raise funds for a substantial part of the cost, B. C. S. R. decided to proceed with the construction of a factory at Taber which it regarded as being in its own territory. The factory at Taber was completed in 1950 and began the production of beet sugar in that year. Although interest in a factory in the Brooks area has been maintained by farmers no factories, other than those of C. S. F. have been built in Alberta.

The policy of B. C. S. R. indicated above in the letter of January 15, 1934 that it was more important for B. C. S. R. "to preserve our market than to attempt to maintain our Vancouver output in the face of a demand for larger beet sugar production" appears to have been followed consistently in the construction of the factories at Picture Butte and Taber. This policy is expressed in the submission to the Commission on behalf of B. C. S. R. Their brief states:

> ". . .
>
> . . . The farmers in Alberta are going to grow beets as there is no question of the value to them of such a cash crop. Whether B. C. S. R. owns the processing plants or some other interests own them, the beet sugar is going to be produced in Alberta and must be sold each year otherwise a large surplus would build up, or next year's production would have to be curtailed. . .
>
> . . ."

With reference to the policy of the company the brief also states:

> ". . .
>
> To carry its policy into effect B. C. S. R. reduced its own production and sales and caused C. S. F. to improve greatly its plant at Raymond, Alberta, to construct in 1936, and earlier than it thought it wise to do so, a modern refinery at Picture Butte, Alberta, and in 1950, and in similar circumstances, a modern refinery at Taber, Alberta.
>
> . . ."

In his evidence to the Commission, T. George Wood said that in the United States during the period of World War I contracts for the purchase of sugar beets from farmers had been made on the basis of a guaranteed price per ton and that when commodity prices fell after the war the sugar beet companies suffered serious losses because the price of sugar dropped drastically after the contracts had been made. As a result of this experience the form of purchase contract was changed to provide for a minimum price to farmers and a realized price based on the factory extraction of sugar combined with the selling price of sugar. This form of contract, which Mr. Wood described as very complicated, was introduced into Alberta by the Utah-Idaho Sugar Company when it began operations at Raymond in 1925.[1] Within a few years after control of C. S. F. was

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1. Hearing, pp. 518-519.

acquired by B. C. S. R. a new form of contract was worked out between the company and the growers whereby the company took responsibility for the extraction of sugar and undertook to share the returns received from the sale of sugar. The terms of the contract have apparently been varied from time to time and the contract for 1955 provided that the growers would receive 63 per cent of the average net price of sugar when this price was $7.00 per 100 pounds or over. The relevant clauses of the 1955 sugar beet contract between C. S. F. and the growers read as follows:

"5 a. PAYMENTS. An initial payment and minimum price for beets shall be made at the highest rate deemed justified by the Company. This payment shall be at not less than 75% of the final Company price for beets, calculated at October 20th, 1955, on sugar content and net selling price of sugar, plus any Governmental payments due on sugar then sold. The initial payment shall be made on or about November 6th for all beets delivered prior to October 21st, on or about December 6th for deliveries prior to November 21st, and within ten days from completion of later deliveries.

5b. Final settlement for beets delivered will be made upon payment to the Grower of his share of the value of the refined sugar produced from 1955 crop beets in accordance with the following scale based on: Grower's Share - Per Cent - Minimum 58% - Maximum 63%.

AVERAGE NET PRICE OF SUGAR PER 100 POUNDS

58%	59	60	61	62	63%
$6.00 & Below	$6.20	$6.40	$6.60	$6.80	$7.00 & Over

Prices falling between the scales to be calculated in accordance: i.e., price of 6.75 = Division of 61.75% to Grower.

5c. Under this sliding scale, any direct payments to Growers authorized by the Canadian Government shall be deducted in determining average net price. The Company will pay to the Grower his full share of income resulting from said governmental payments. Price changes not affected by Governmental payments shall be calculated according to the scale in 5b.

In addition the Company will pay to the Grower one-half the net value of molasses and ten per cent of the net value of D. M. B. P. [1] produced for sale from total beets purchased in 1955. In determining the said average net price per pound of

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[1] Dry Molasses Beet Pulp

sugar, molasses and D. M. B. P. the Company shall be entitled to deduct all usual selling expenses; and also an amount equivalent to any new or increased taxes or levies imposed against the said beets, sugar, molasses or D. M. B. P., or against the Company on account of processing or production, by any lawful taxing authority, such deduction being agreed upon as an added selling expense.

5d. If the total price payable to the Grower under the provisions of this Contract shall be in excess of the minimum mentioned in 5a, subsequent payments will be made from time to time in such amounts as the Company may consider justified, but the first subsequent payment if due the Grower shall be made within 30 days of the close of the factory campaigns. The total price paid by the Company per ton for beets shall be determined by the actual 1955 crop sugar production and the final payment for all beets delivered hereunder shall be made in accordance with the terms of this Contract on or about October 15th, 1956, or when all sugar produced has been sold."

This type of contract is, in a sense, a form of profit-sharing between the sugar factory and the growers and gives the growers a very direct interest in the price level of beet sugar and the markets in which the sugar is sold.

3. Beet Sugar Production in Manitoba

Interest in the establishment of a beet sugar factory in Manitoba had existed for many years prior to the construction of a plant in 1940. A charter for the incorporation of a provincial company to engage in the beet sugar industry in Manitoba was secured in 1925 but a number of years passed before attempts were made at actual organization. In 1935 legislation was adopted in Manitoba authorizing the government to guarantee bonds to the extent of half the cost of a beet sugar factory with a limit of $600,000 for a corporation which would undertake to construct and operate a factory in Manitoba. No immediate steps were taken to build a factory and the authority for the guarantee by the provincial government was extended by further legislation. By 1939, the company which had been incorporated in 1925 was actively considering proposals to proceed with the construction of a beet sugar factory, the machinery for which was to be procured from Germany with the financing also to be supplied in considerable part from European sources. The outbreak of World War II precluded the completion of the arrangements and the original company permitted a second company, which was incorporated on November 8, 1939, to use the name Manitoba Sugar Company Limited. Other sources of financing were secured

and the Beet Sugar Factory Act of 1940 was passed which incorporated an agreement of March 6, 1940 between the Manitoba Sugar Company Limited and the province of Manitoba and authorized the government to guarantee debentures of Manitoba Sugar Company Limited to the amount of $600,000. This guarantee remained in effect until 1946 when there was a refunding of the debentures without the guarantee. According to the return made to the Director by Manitoba Sugar the capital stock of the company has consisted of 15,000 6 per cent non-voting preferred shares of par value $100 each, and 35,000 common shares of no par value. Two common shares were originally issued as a bonus with each preferred share and 5,000 shares were available for issue at the discretion of the Directors. According to the first balance sheet of the company, as at March 31, 1941, all the preferred shares had been sold and all the common shares issued. The capital stock of Manitoba Sugar was sold on quite a wide scale to persons in Manitoba and elsewhere in Canada and also to a considerable extent to persons in New York. Among the shareholders at an early stage were Baron C. Neuman de Vegvar of New York and Baron P. G. Kronacker of Brussels, Belgium, whose shareholdings in later years were to become of considerable importance in regard to the control of Manitoba Sugar. The evidence indicates that Baron Kronacker has been connected with the sugar industry in other parts of the world outside Canada. The diversity of the interests of many shareholders appears to have created difficulties at times in arriving at commonly-shared views as to the direction and management of Manitoba Sugar.

The Fort Garry plant of Manitoba Sugar was completed in time to produce beet sugar in 1940 when the output was 22 million pounds and this was increased to over 27 million pounds in 1944. Production remained at lower levels from 1945 to 1948 but thereafter the trend was generally upward and production exceeded 56 million pounds in 1954. In one year, 1949, the refining of cane sugar was undertaken by Manitoba Sugar during the period of that year when there were no beet sugar operations. According to the annual financial statement of the company for the year ending March 31, 1950 almost 18 million pounds of cane sugar were produced and sold with very slight profit. It does not appear that very extensive investment was made to adapt the factory for the processing of cane sugar, although the evidence indicates that the two products, cane and beet, require quite different processes. The experiment was not repeated but the possibility of more serious entrance into cane sugar refining does not seem to have been entirely given up. In 1953, B.C.S.R. became concerned over reports that Manitoba Sugar would refine cane sugar in the following year.

4. Relative Scale of Beet Sugar Production in Western Canada

The increase in the number of beet sugar factories in Western Canada since 1935 and the enlargement in the capacity of the plants have provided greater opportunity for the production of sugar beets. While decisions as to the size of the market for the sale of beet sugar on the part of B. C. S. R. and variations caused by the weather and the extent to which growers gave up sugar beets to produce other crops have meant that production of beet sugar has not advanced consistently with enlarged capacity, the general trend in beet sugar production in Western Canada has been upward. Table 12 relates the production of beet sugar in Alberta and Manitoba to the production in Canada and shows the proportion which the production of C. S. F. has formed of the total Canadian production.

Table 12 - Comparison of Production in Western Canada with Total Canadian Production of Beet Sugar, 1931-55

(Thousands of Pounds)

Year	Canadian Sugar Factories Ltd. Raymond	Picture Butte	Taber	Total C.S.F.	Manitoba Sugar	Total for Western Canada	Total for all Canada	Total for C.S.F. as % of all Canada
1931	31,041			31,041		31,041	107,139	29.0
1932	45,866			45,866		45,866	132,017	34.7
1933	46,261			46,261		46,261	131,393	35.2
1934	53,009			53,009		53,009	114,003	46.5
1935	44,451			44,451		44,451	119,858	37.1
1936	38,244	27,055		65,300		65,300	156,066	41.8
1937	40,508	35,096		75,604		75,604	120,440	62.8
1938	39,078	39,821		78,899		78,899	143,014	55.2
1939	41,340	39,014		80,354		80,354	169,320	47.5
1940	46,153	47,438		93,590	22,004	115,594	213,603	43.8
1941	44,572	48,147		92,719	23,021	115,740	215,879	42.9
1942	50,084	53,769		103,852	26,361	130,213	189,067	54.9
1943	41,028	42,380		83,408	27,347	110,755	129,268	64.5
1944	48,116	53,267		101,383	21,112	122,495	165,319	61.3
1945	46,961	53,039		100,000	18,378	118,378	163,838	61.1
1946	48,766	57,422		106,187	25,341	131,528	205,780	51.6
1947	47,373	52,487		99,860	14,770	114,630	156,263	63.9
1948	44,293	47,170		91,463	20,400	111,863	175,641	52.1
1949	39,773	39,333		79,106	34,744	113,850	224,854	35.2
1950	40,878	39,935	43,814	124,627	35,175	159,802	300,185	41.5
1951	26,137	23,570	30,914	80,622	40,224	120,846	247,753	32.5

Table 12 (continued)   (Thousands of Pounds)

Year	Canadian Sugar Factories Ltd.				Manitoba Sugar	Total for Western Canada	Total for all Canada	Total for C.S.F. as % of all Canada
	Raymond	Picture Butte	Taber	Total C.S.F.				
1952	43,334	47,989	51,112	142,434	35,554	177,988	298,245	47.8
1953	34,672	39,946	43,159	117,777	39,939	157,716	245,476	48.0
1954	31,129[1]	37,986	41,879	110,994	56,195	167,189	232,075	47.8
1955	34,179[2]	41,731[2]	47,200[2]	123,110[2]	55,200[2]	178,310	274,517	44.8

1. Amended figure given in evidence by F. Rogers, Hearing, p. 299.

2. Figures given by B. C. S. R. in letter of November 22, 1956 to the Commission.

Sources: Returns of information made to the Director by C. S. F., Manitoba Sugar and Eastern Refineries.

Dominion Bureau of Statistics, The Sugar Refining Industry.

Table 13, which was contained in the Statement of Evidence, presents figures for the quantities of sugar beets processed each year from 1946 in the four sugar beet factories in Western Canada in relation to estimated capacity of each factory.

Table 13 - Comparison of Estimated Capacity of Beet Sugar Factories with Quantities of Sugar Beets Actually Processed, Alberta and Manitoba, 1946-55

(in tons)

Year	Raymond			Picture Butte			Taber			Fort Garry		
	Capacity	Tons Processed	%	Capacity	Tons Processed	%	Capacity	Tons Processed	%	Capacity	Tons Processed	%
1946	148,000	161,590	109	181,000	201,074	111				165,000	94,532	57
1947	165,000	151,494	92	183,000	189,819	104				165,000	61,488	37
1948	166,000	137,766	83	185,000	161,967	88				165,000	76,185	46
1949	167,000	146,703	88	187,000	163,381	87				176,000	124,532	71
1950	168,000	128,767	77	189,000	140,045	74	220,000	151,462	69	187,000	136,665	73
1951	169,000	95,050	56	191,000	103,967	54	220,000	125,441	57	198,000	168,765	85
1952	170,000	126,208	74	192,000	155,625	81	220,000	169,558	77	205,000	124,190	61
1953	170,000	110,581	65	203,000	134,531	66	231,000	150,168	65	212,000	155,610	73
1954	170,000	110,853	65	203,000	146,562	72	242,000	165,029	68	220,000	223,379	102
1955*	170,000	108,811	64	203,000	139,272	69	242,000	163,903	68	220,000	203,000	92

Note: Capacity figures for the year are estimates based upon rated daily capacity supplied by return and a campaign period of 110 days. (The length of the campaign is estimated on the basis that the plant at Raymond processed 161,590 tons in 1946 when the daily capacity was rated at 1,350 tons, and the plant at Picture Butte processed 201,074 tons of beets in the same year when the daily capacity was rated at 1,650 tons. At these rates, the factories were considered to be producing beyond economic capacity.)

Sources: Returns of information submitted to the Director by C.S.F. and Manitoba Sugar.

* 1955 figures given by B.C.S.R. in letter of November 22, 1956 to the Commission.

CHAPTER IV

MARKETING OF SUGAR IN WESTERN CANADA

1. Influence of Offshore Refined Sugar

B. C. S. R., which has always had the position of being the only sugar refiner in British Columbia, the markets of which could only be reached by cane sugar refiners in Eastern Canada at heavy freight cost, has had to have regard only to possible competition from sources outside Canada in establishing its prices at the Vancouver refinery. The position of B. C. S. R. was described as follows in the brief submitted on its behalf:

> ". . .
>
> . . . Its price level in Vancouver is controlled by possible competition from offshore whites, such as Cuba's, Peru's, Mexico's, etc. If it raised its price too high, undoubtedly there would be an influx of offshores. This potential threat is mentioned in the Statement in more than one place where it is alleged several large manufacturers in British Columbia enquired about offerings of offshore whites, the idea being that if the price for offshores was sufficiently under that of B. C. S. R., they would be interested in bringing in 5,000 or 6,000 tons, B. C. S. R. must keep its Vancouver price in line to keep out these offshores. The following calculation indicates the approximate cost of Cuban refined laid down in Vancouver:

Spot price - raws	$3.42
Refining margin	1.20
Freight	.80
Duty	1.89
Insurance	.02
Other expenses - at least	.20
Total	$7.53

> B. C. S. R.'s net price today in Vancouver for manufacturers' sugar is $7.50. Some of the above figures, such as refining margin and freight, might be questioned although they are approximately correct. The refining margin might be 10¢ high but, on the other hand, the freight might be 10¢ low. As to the

other expenses, they probably will be considerably over 20¢ as they include breakage, handling, storing, insurance in storage, rehandling and cartage, harbour dues, wharfage and other costs which would probably be assessed. There is also the matter of financing, and the interest involved, which could run to a good many more cents per one hundred pounds.

. . ."

During his appearance before the Commission, A. M. Robertson, Vice-President in charge of sales, B. C. S. R., was asked, how typical was the relationship shown in the above example and gave the following reply:

"A. I would say that we normally vary, depending on the fluctuation in the raw price -- raws fluctuate nearly every day, whereas our refined price sometimes does not change for six months, unless there is a big change in the price of raws.

I would say that we are sometimes as much as 10 cents below the offshore price, and sometimes, for a short period, we are perhaps five cents over it, if there has been a sudden dip in the raw sugar market. But sugar does not move that quickly; it takes time to get a steamer into position, and about a month to get to Vancouver, and so on, and the people who are buying it have to get together. We keep in touch with the laid-down cost, and our objective is to keep slightly under it."

(Hearing, p. 391)

The actual degree of potential offshore competition, as the evidence of Mr. Robertson indicates, is not constant. In 1952, eastern refiners were making submissions to the Dominion Government in regard to importations of Cuban white sugar and copies of a brief prepared by Canada and Dominion Sugar Company were sent to P. T. Rogers, then President of B. C. S. R. At this time the price of B. C. S. R. at Vancouver was 25 cents per 100 pounds higher than the price of sugar at Montreal. In sending a copy of the brief to T. George Wood of C. S. F. on September 25, 1952, Mr. Rogers wrote:

". . .

When I hear from you after you have read this brief I may have a little bit more to say but at the present time I feel that we are in no position to make predictions as to what may happen in the future and so far it has been very difficult to get small tonnages of Cubans - even raw - into Vancouver. That is one reason that I kept our price above the Montreal price

during one of the declines.

. . ."

(AMF 5-6)

At the time of the Commission hearing in August, 1956 the list price of sugar at Vancouver was 35 cents higher than at Montreal and Mr. Robertson gave evidence that the price at Vancouver was justifiably higher because costs, particularly for labour, were higher at the Vancouver refinery than at other cane sugar refineries in Canada. Relating the factor of offshore competition to this situation, Mr. Robertson said in evidence:

"A. Yes, the competition in Vancouver is quite keen -- except it must not be forgotten that it costs more to get offshore to Vancouver than it does to the eastern seaboard. In other words the freight is at least 30 cents higher to bring refined sugar from Cuba to Vancouver than it is to take refined sugar from Cuba to Montreal.

We are not a bit ashamed of the fact that our price in Vancouver is 35 cents higher than Montreal. Our costs are higher, and our chief cost is labour. Mr. Rogers gave the figures, which I will give again. Our labour rates in Vancouver, on the average, are 25.86 cents an hour higher than those of the St. Lawrence Sugar Refining Company in Montreal, which, worked down to one hundred pounds of sugar, means that it costs us, in labour alone, 16.3 cents a bag more to produce sugar in Vancouver than it does in Montreal."

(Hearing, p. 359)

Mr. Robertson went on to point out that B.C.S.R. secures the bulk of its raw sugar requirements from Fiji and for such raw sugar the cost at Vancouver is about the same as the landed cost of raw sugar from the British West Indies at Montreal, except for slightly higher insurance costs. However, in recent years one or two additional cargoes have had to be secured each year from the West Indies and the freight rate on these shipments is also 30 cents per hundred pounds higher than to Montreal.

The general effect of the evidence is that B.C.S.R. has endeavoured to keep its selling prices of refined sugar just below the price at which offshore sugar might be sold in Vancouver. In other words, the prices are the highest prices that the latent competition of foreign suppliers allows. In regard to the level of prices the result is much the same as if supplies of refined sugar were being imported, except that if imported sugar was being supplied regularly there would be less likelihood of prices of refined sugar at Vancouver departing from the import level for any length of time. The general policy

followed by B. C. S. R. in setting the price of refined sugar was summarized by Forrest Rogers, President of the company, as follows:

"Q. Does that mean that the normal picture over the years has been that your selling price of refined sugar has been just below the price at which offshore sugar might be sold in the Vancouver area?

A. We have endeavoured to keep it there. It is difficult sometimes to determine exactly what offshore sugar would cost, because one has to estimate certain costs such as warehousing, brokerage, packages, and all that sort of thing, which are very real costs of any importer. But I think the proof of the pudding is that we have not had offshore white come into British Columbia for a good many years.

It has happened in the past when we were not competitive--not in my time or in my memory; but I do know it has happened. But the exact circumstances I do not know."

(Hearing, pp. 85-86)

In view of the evidence relating to Western Canada, that the prices of refined sugar are as high as offshore competition will permit, it must follow that competition among Canadian suppliers on a price basis could only have the effect, in those areas in which it came into play, of reducing prices below the levels which would otherwise prevail. Without such competition, the possibility of lower prices is removed under the pattern of pricing which produces a level of prices up to the limit set by the tariff on refined sugar.

Before a description is given of the pricing system for sugar in Western Canada it is desirable to present some information as to the extent to which the various Canadian refineries have made sales in the western provinces. Data were compiled by the Director and presented in the Statement of Evidence showing the sales in each province of the respective refineries. The following comment on the tables was included in the Statement:

"The following tables have been compiled from data submitted to the Director by all Canadian refiners except Quebec Sugar Refinery pursuant to orders for written returns of information. Quebec Sugar Refinery is engaged in processing sugar beets only, and would have no interest in reducing the net return to its growers from its small output by shipping into Western Canada. The tables show the annual sales in quantity of refined sugar in each of the western provinces by all other Canadian refiners. It should be noted

that these data do not reflect shipments which may have been made from one province to another by customers of the refiners."

Table 14 - Estimated Annual Sales in Quantity of Refined Sugar in British Columbia by Individual Refiners, 1931-55.
(Thousands of Pounds)

Year	B.C.S.R.	Approx. %	C.S.F.[1]	Approx. %	Canada & Dominion	Approx. %	Other[2]	Approx. %	Approx. Total
1931	69,045				-		-		
1932	74,059				-		-		
1933	70,904				-		-		
1934	76,240				-		-		
1935	78,797	100	-		5		-		78,802
1936	80,493	100	-		3		-		80,496
1937	82,097	100	24		-		-		82,121
1938	84,416	100	289	.3	-		-		84,706
1939	89,807	99	895	1.	-		-		90,701
1940	87,061	99	627	.7	-		-		87,688
1941	97,772	99	848	.9	-		-		98,621
1942	78,657	99	794	1.	-		-		79,450
1943	77,360	99	471	.6	-		-		77,831
1944	93,448	100	355	.4	-		-		93,803
1945	82,830	100	293	.3	-		-		83,123
1946	84,647	100	220	.3	-		-		84,867
1947	106,772	100	119	.1	-		-		106,891
1948	121,895	100	304	.2	-		-		122,199
1949	123,366	100	-		-		-		123,366
1950	122,551	100	-		-		-		122,551
1951	117,439	100	-		-		-		117,439
1952	123,611	100	-		-		-		123,611
1953	124,074	100	-		-		-		124,074
1954	126,519	100	-		-		-		126,519
1955	133,640*		-						

(for footnotes see next page)

Footnotes to Table 14

1. No breakdown of sales by C. S. F. by provinces is available prior to 1935.

2. Sales made by Acadia Sugar Refining Company Limited prior to the merger in 1939 are not available and may have included some sales in British Columbia.

* Later information submitted to Commission.

Table 15 - Estimated Annual Sales in Quantity of Refined Sugar in Alberta by Individual Refiners, 1931-55.
(Thousands of Pounds)

Year	B. C. S. R.	Approx. %	C. S. F. [1]	Approx. %	Canada & Dominion	Approx. %	Other [2]	Approx. %	Approx. Total
1931	44,564				- [3]		-		
1932	38,200				- [3]		-		
1933	27,190				-		-		
1934	29,095				-		-		
1935	28,201	46	33,651	54	-		-		61,853
1936	33,965	54	28,959	46	-		-		62,924
1937	28,580	45	35,025	55	-		-		63,605
1938	26,218	40	39,595	60	-		-		65,813
1939	26,954	41	39,319	59	-		-		66,273
1940	27,432	42	37,237	58	-		-		64,669
1941	18,219	29	45,602	71	-		-		63,821
1942	10,063	19	42,864	81	-		-		52,927
1943	8,506	18	37,507	82	-		-		46,014
1944	10,064	21	38,110	79	-		-		48,174
1945	4,954	12	36,861	88	-		-		41,815
1946	5,771	14	36,960	86	-		-		42,731
1947	9,637	18	45,177	82	-		-		54,814
1948	28,705	44	36,975	56	-		-		65,679
1949	20,105	31	44,980	69	-		-		65,084
1950	30,511	43	40,987	57	-		-		71,498
1951	12,223	17	58,770	83	-		-		70,992
1952	19,658	25	57,501	75	-		-		77,159
1953	10,722	14	65,907	86	-		-		76,629
1954	10,714	14	65,823	86	3		-		76,541
1955	19,104*		61,815*						

(for footnotes see next page)

Footnotes to Table 15

1. No breakdown of sales by C.S.F. by provinces is available prior to 1935.

2. Sales made by Acadia Sugar Refining Company Limited prior to the merger in 1939 are not available and may have included some sales in Alberta.

3. In these two years, some sales in Alberta may be included in the figures given for Manitoba sales (See Table 17).

* Later information submitted to Commission.

Table 16 - Estimated Annual Sales in Quantity of Refined Sugar in Saskatchewan by Individual Refiners, 1931-55.
(Thousands of Pounds)

Year	B.C.S.R. [1]	Approx. %	C.S.F. [2]	Approx. %	Manitoba Sugar	Approx. %	Canada & Dominion	Approx. %	Other [3]	Approx. %	Approx. Total
1931	49,879						-[4]		-		
1932	47,716						-[4]		-		
1933	40,007						-		-		
1934	44,291						-		-		
1935	43,766	68	19,736	31			473	.7	-		63,974
1936	48,429	74	16,512	25			244	.4	-		65,185
1937	40,291	63	23,882	37			224	.3	-		64,398
1938	35,145	52	32,218	48			-		-		67,363
1939	36,539	52	33,801	48			-		-		70,340
1940	32,667	49	33,858	51			-		-		66,526
1941	25,153	39	37,736	59	1,035	2	-		-		63,925
1942	9,388	20	38,143	80	-		41		-		47,573
1943	5,487	14	33,019	86	-		-		-		38,506
1944	7,880	19	33,267	81	-		-		-		41,147
1945	3,916	11	31,920	89	-		-		-		35,836
1946	4,594	12	32,323	88	-		-		-		36,917
1947	5,540	11	44,419	89	-		-		-		49,960
1948	22,384	40	34,082	60	-		-		-		56,466
1949	19,031	35	35,664	65	-		221	.4	-		54,916
1950	32,414	53	28,950	47	30		315	.5	-		61,709
1951	13,124	24	41,682	76	24		73	.1	-		54,902
1952	22,994	40	34,587	60	28		414	.7	-		58,023
1953	9,659	17	41,418	75	4,014	7	97	.2	-		55,189
1954	10,038	17	45,127	76	3,826	6	-		-		58,991
1955	9,182*		40,604*		8,007*						

(for footnotes see next page)

Footnotes for Table 16

1. Except for the years 1942, 1946, 1951, 1952, 1953 and 1954, Manitoba sales are included (see Table 17).

2. No breakdown of sales by C. S. F. by provinces is available prior to 1935.

3. Sales made by Acadia Sugar Refining Company Limited prior to the merger in 1939 are not available, but may have included some sales in Saskatchewan.

4. In these two years, some sales in Saskatchewan may be included in the figures given for Manitoba sales (see Table 17).

* Later information submitted to Commission.

Table 17 - Estimated Annual Sales in Quantity of Refined Sugar in Manitoba by Individual Refiners, 1931-55

(Thousands of Pounds)

Year	B.C.S.R.[1]	Approx. %	C.S.F.[2]	Approx. %	Manitoba Sugar	Approx. %	St. Lawrence Sugar	Approx. %	Acadia-Atlantic[3]	Approx. %	Canada & Dominion	Approx. %	Approx. Total
1931					-		8,324		10,526		51,508[5]		
1932					-		7,800		12,013		32,024[5]		
1933					-		8,438		9,248		25,137		
1934			-		-		11,781		12,727		24,779		
1935			-		-		9,890		8,199		34,030		
1936			-		-		6,414		9,856		35,047		
1937			3,323		-		7,562		8,385		34,154		
1938			12,287		-		4,225		8,829		29,005		
1939			4,932		-		6,863		12,100		31,518		
1940			3,892	5	7,828	11	3,246	4	30,821[4]	42	28,320	38	74,107
1941			3,564	5	21,838	30	2,286	3	22,325	31	22,090	31	72,103
1942	756	1	14,440	26	29,836	53	1,619	3	4,660	8	5,286	9	56,597
1943			18,178	37	26,657	54	635	1	1,853	4	1,949	4	49,272
1944			23,363	44	23,179	43	153	.3	4,894	9	1,990	4	53,579
1945			21,647	46	20,651	44	45	.1	3,522	8	957	2	46,822
1946	48	.1	23,696	49	20,758	43	206	.4	2,798	6	1,180	2	48,686
1947			33,786	55	21,344	35	304	.5	3,230	5	2,473	4	61,137
1948			14,527	19	18,398	24	5,900	8	22,804	29	15,866	20	77,495

Table 17 - (continued)

1949			9, 910	12	39, 407	48	3, 675	5	18, 758	23	9, 761	12	81, 511
1950			6, 886	9	37, 579	51	3, 806	5	16, 467	22	9, 329	13	74, 067
1951	851	1	12, 605	18	33, 028	47	2, 945	4	10, 533	15	9, 664	14	69, 626
1952	1, 636	2	10, 452	15	37, 925	53	2, 261	3	8, 511	12	11, 042[6]	15	71, 827
1953	1, 241	2	17, 698	25	36, 103	51	1, 116	2	5, 824	8	8, 936	13	70, 918
1954	1, 405	2	15, 447	21	39, 721	54	1, 555	2	5, 672	8	10, 086	14	73, 886
1955	2, 273*		10, 489*		43, 666*								

1. Except where shown, sales by B.C.S.R. in Manitoba are not available separately, but are included in Saskatchewan sales.

2. What sales, if any, C.S.F. made in Manitoba from 1931 to 1934 are not known.

3. Sales by Acadia Sugar Refining Company Limited before the merger are not available, therefore prior to 1940 sales by Atlantic Sugar Refineries Limited only, are recorded.

4. Includes distribution at the Lakehead.

5. Includes Saskatchewan and Alberta sales.

6. Sales for 15 months - January 1, 1952 to March 31, 1953.

* Later information submitted to Commission.

2. Pricing of Refined Sugar in Western Canada

It has been indicated earlier in this report that the general pattern of pricing refined sugar in Western Canada is one of adding the freight cost to any point to the price at the cane sugar refinery. The two refining centres which are used as bases are Vancouver and Montreal. As mentioned earlier, prices from west to east are established at each point in relation to the freight cost from Vancouver until a point is reached where that price would exceed the cost of refined cane sugar shipped from Montreal, and from that point further to the east prices are based on Montreal plus freight. While this is the general pattern the actual structure of prices is more complex than this simple description would suggest. The main features in the principal market areas may be described without attempting to cover in any detail the great number of variations which are involved in various localities.

In British Columbia, where B. C. S. R. is the only Canadian supplier of sugar, all sales are made f. o. b. refinery, Vancouver, and the freight is paid by the customer. The general situation in this province is that the price at the refinery is established in relation to possible offshore imports and the customer pays that price plus whatever actual freight costs may be involved.

In Alberta, where in recent years sales by C. S. F. have formed more than 80 per cent of the total and the remaining sales (presumably specialties to a large extent) have been made by B. C. S. R., a system of delivered prices has been used. The manner in which this system operates is described, as follows, in a letter from B. C. S. R. to the Commission:

> ". . .
>
> In Alberta delivered prices are quoted. The prices are made up on the Vancouver base price to which is added the fifth-class freight plus an additional charge amounting to 8¢ to 13¢ per 100 pounds. The following examples will illustrate the make-up:

	Calgary Price	Edmonton Price
Vancouver Price	$8.00 per 100 lbs.	$8.00 per 100 lbs.
Freight	1.50	1.72
Additional charge	.13	.08
	9.63	9.80
Less 5%	.48	.49
Net	$9.15	9.31

The additional charge is made to offset the discount on the freight included in the delivered price. This amounts to approximately 8¢ per 100 pounds on the average. At points where 13¢ is added, the quoted delivered price is higher by approximately 5¢ per 100 pounds than would be the cost of sugar bought f. o. b. Vancouver. On the other hand, the delivered price in Edmonton is 1¢ lower than it would be on an f. o. b. Vancouver basis. If customers in Alberta insisted on buying f. o. b. Vancouver for points where 13¢ is added, we would be unable to refuse but we would probably adjust our prices throughout all Alberta to exactly equal the f. o. b. Vancouver equivalent.

. . ."

As indicated, the list price at Vancouver at this time was $8.00 per 100 pounds less a discount of 5 per cent, so that the net price at Vancouver was $7.60.

As the additional charge in those cases where the result is an extra charge exceeding the freight cost, is proportionately greater than in those cases where the additional charge does not fully compensate for the discount on freight it is likely that, in total, the additional charges would represent more than the equivalent prices f. o. b. Vancouver plus freight. At the present time there is no cane-beet differential in Alberta so that Alberta beet sugar is sold by C. S. F. at a price equivalent to that established for cane sugar by B. C. S. R. The system of delivered prices thus has the effect of enabling sugar produced by C. S. F. to be sold at the highest possible price at every point in the province without regard to the actual cost of shipping sugar from the Alberta factories. Some examples will be given later of comparative freight charges, but it may be noted here that the freight rate from C. S F. factories to Calgary is 30 cents per hundred pounds, as against $1.50 from Vancouver, and to Edmonton, 60 cents per hundred pounds, as against $1.72 from Vancouver.

Changes in freight rates within Alberta do not cause any changes in delivered prices in Alberta for sugar sold by C. S. F., so its prices remain those of B. C. S. R. based on Vancouver. In a B. C. S. R. Distribution Report for January to March, 1955 (AMF 752-765) reference was made to a reduction in the freight rate from C. S. F. factories to Vegreville, Alberta from $1.29 to 78 cents and the comment was made, "This naturally did not affect the price at Vegreville. . . ." The reduction in rates had apparently been made by the railway in an effort to meet truck competition from Edmonton to Vegreville but the adjustment in price at Vegreville to bring it into closer relationship to Edmonton had to wait until the introduction of the equalized freight rate structure in March, 1955.

It is important to note that the structure of delivered prices

in Alberta is based upon the scale of fifth-class freight rates from Vancouver. To the extent that any cheaper freights are available, say by trucking, the prices are above the level at which offshore sugar could be imported at Vancouver and transported by the cheapest means of transportation. From time to time situations have arisen in which because of the availability of lower-cost trucking or a lower tariff of freight charges to one point than to another (as in the case of Vegreville in relation to Edmonton referred to above) B. C. S. R. has had difficulty in maintaining the system of delivered prices in particular areas. The policy has been followed of maintaining the system and attempting to confine any disturbances caused by varying freight costs to as small an area as possible.

Delivered prices are also used in Saskatchewan but the pattern is made more complex because in the eastern part of the province sugar can be delivered more cheaply from Montreal than from Vancouver. The system of prices in Saskatchewan is described as follows, in the letter from B. C. S. R.:

> ". . .
>
> In Saskatchewan the price made up from Vancouver meets the price made up from the East. Our Saskatchewan prices are the cheaper of Vancouver base price plus freight to destination plus 10¢, or the Winnipeg base price plus the balance of the through freight from the Lakehead. To illustrate:
>
> Yorkton made up from Vancouver
>
> | | | |
> |---|---|---|
> | Vancouver base | $8.00 | |
> | Freight | 2.63 | |
> | Additional charge | .10 | |
> | | 10.73 | less 5% |
>
> Yorkton made up from Winnipeg
>
> | | | |
> |---|---|---|
> | Winnipeg base | $9.41 | |
> | Balance thru freight | .48 | |
> | | $9.89 | less 5% |
>
> The price at Yorkton is therefore $9.89 less 5% = $9.40 net. Deducting freight charges from Vancouver to Yorkton of $2.63, we arrive at a net return of $6.77 per 100 pounds for B.C. sugar sold in Yorkton versus a net return of $7.60 for B.C. sugar sold in Vancouver, which represents an absorption of 83¢ per 100 pounds. The B. C. Sugar Refining Company, Limited absorbs at all points East of the line where prices made up from Vancouver and Winnipeg meet.
>
> . . ."

The additional charge of 10 cents in the price made up from Vancouver is presumably included to offset the discount of 5 per cent on the freight.

It will be seen from Table 16 that in recent years C. S. F. has supplied the larger part of the sugar sold in Saskatchewan, with substantial amounts coming from B. C. S. R. and, in some years, from Manitoba Sugar. Sales of eastern sugar in this period have been made to a very minor extent. Beet sugar is sold in Saskatchewan at a list price 10 cents below the price established for cane sugar. This means that the net delivered price of beet sugar is 9 1/2 cents less than the price of cane sugar. As in the case of Alberta, the price of sugar from C. S. F. factories is not affected by the freight cost from those factories to points in Saskatchewan but, in those territories where prices are based on Vancouver, only by the freight cost from Vancouver.

It appears from the evidence of officials of B. C. S. R. that the cane-beet differential, i. e. the lower selling price of beet sugar in Saskatchewan and Manitoba in relation to the price of cane sugar, is considered necessary in order to ensure the sale of beet sugar put on the market in those provinces. Mr. A. M. Robertson, Vice-President of B. C. S. R., said:

"A. . . . There has been a prejudice against beet sugar, particularly for preserving, over the years. Twenty years ago it was quite intense. Then, during the period of the war, when Manitoba, Saskatchewan and Alberta got nothing but beet sugar, the people who had said for years that they could not preserve fruit with beet sugar, did it, and they did it very successfully; and I think that went a long way toward killing the prejudice in many cases. But there are still some places where it is difficult to sell beet sugar, except with a differential.

Q. And that applies, as I believe Mr. Rogers said, to manufacturing, to some extent?

A. Yes, there are some manufacturers, particularly bottlers, who prefer cane sugar. Their preference sometimes evaporates with a little differential, though."

(Hearing, pp. 226-227)

At a later point in his evidence he said:

"A. . . . So we do not have too much difficulty selling beet sugar. It is just the odd territory we have trouble. But you have to keep the differential on. Again, today, the retail grocery trade or the wholesale grocery trade will not make any particular effort, unless it is worth their

while. There has got to be some incentive."

(Hearing, pp. 407-408)

Although in Alberta beet sugar is now sold without any differential in price, it is clear from the evidence cited that in Saskatchewan and Manitoba it is considered necessary to maintain a price differential and sales of beet sugar would not be made to the same extent as now without a difference in price. It follows from this that, as in the case of Alberta, sugar is sold in that part of Saskatchewan in which prices are based on Vancouver at the highest possible price as determined by the possibility of offshore imports of refined sugar at Vancouver and the freight cost from Vancouver to Saskatchewan. This is the general situation, even though 86 per cent of the sales of sugar in Saskatchewan consisted of Alberta beet sugar in 1954. It might be modified within narrow limits by the extent to which the 10 cent additional item is greater or less than the actual discount on freight and by the possibility of cheaper transportation being available than the rates used by B. C. S. R. in calculating its prices in Saskatchewan.

East of the line in Saskatchewan where prices are based on Winnipeg or perhaps, more accurately, on Montreal, it must be concluded that the price level of sugar is affected by much the same factors as apply in the case of Vancouver. Reference has already been made to the evidence that the refinery list price at Vancouver is 35 cents per 100 pounds higher than at Montreal and that the freight cost of bringing offshore refined sugar to Vancouver is approximately 30 cents per 100 pounds higher than the cost to Montreal. The difference of 35 cents in list prices between Vancouver and Montreal is equivalent to a difference of 33 cents in net prices. To the extent that the price of refined cane sugar in eastern Saskatchewan reflects the price level at Montreal determined by the possibility of offshore imports and the cost of getting the sugar to Saskatchewan, the situation is of the same general nature as in the western part of the province. The amount of freight charges which are added in eastern Saskatchewan is not arrived at in as simple a manner as in the territories where prices are established by B. C. S. R. This is due to the fact that during the period of open navigation on the Great Lakes, sugar can move to the Lakehead at a lower cost than during the period of closed navigation when only land transportation is available. It is possible, however, to build up storage stocks at the Lakehead during the navigation season and costs of storage then become a factor. As the price of sugar in eastern Saskatchewan, as already indicated, is regarded by B. C. S. R. as the price at Winnipeg plus the balance of through freight, the establishment of prices at Winnipeg will be described in reviewing the price situation in Manitoba.

The following description of the price structure in

Manitoba was given in the letter from B. C. S. R. to the Commission:

> ". . .
>
> In Manitoba prices are set by the Eastern refiners based on the Montreal price to which they add an equalized freight which is between the lake and rail rate and the all-rail rate. These prices are published by the Eastern refiners, together with a list of equalized rates to different points in Manitoba. This equalized rate is higher than the rate at which Eastern sugar moves to Manitoba during open navigation, i.e. April to November, which is the period of heavy movement of sugar. The equalized rate from Montreal to Winnipeg at present used by the Eastern refiners to establish prices is $1.76 per 100 pounds. In our brief, which we submitted to you prior to the hearing, we quoted a freight cost from Montreal to Winnipeg of $1.59. This is the published commodity water-rail rate in effect during open navigation and is based on a water rate from Montreal to Lakehead of 71¢ plus the rail rate from Lakehead to Winnipeg of 88¢. However, we have heard of cheap trucking from Lakehead to Winnipeg as low as 60¢. Therefore, we feel that in spite of the fact that during closed navigation, storage charges at Lakehead are involved, this is probably offset to a considerable extent by cheap trucking. Prices for Alberta and Manitoba beet sugar in Manitoba are based on published cane prices for that province announced by the Eastern refiners less a cane/beet differential, which at present is 20¢ per 100 pounds. In other words, in Manitoba beet sugar sells for 20¢ per 100 pounds less than cane sugar from Montreal.
>
> Since writing the brief, sugar prices in Canada have increased 10¢ per 100 pounds. This does not affect absorptions appreciably. The Montreal net return is now $7.27 per 100 pounds instead of $7.17 per 100 pounds as stated in the brief. On the other hand, prices at Manitoba and Saskatchewan points are also up 10¢
>
> . . ."

The calculation of the price at Winnipeg which, as indicated in the illustration for Yorkton, was given as $9.41, is presumably made as follows:

Montreal base	$7.65
Equalized freight from Montreal	1.76
Winnipeg base	$9.41

B. C. S. R. put a number of illustrations before the

Commission which in its opinion indicated that during the period of open navigation eastern refiners could net a larger return on sales in Manitoba than if selling f. o. b. Montreal and could make sales at many points in Saskatchewan and have to absorb less freight cost than B. C. S. R. in making shipments from Vancouver. This argument, of course, rested on the difference between the amount of "equalized freight" and lake-rail freight, the reasons for which are not in evidence in the inquiry.

It has already been pointed out that the Saskatchewan market has been served almost entirely by western sugar, principally Alberta beet sugar and Table 17 shows that, in recent years, over three-quarters of the Manitoba market has been supplied by western sugar.

The situation in Western Canada as described by B. C. S. R. and borne out by the evidence is that from time to time eastern refiners establish western prices by adding "equalized freights" to a Montreal base price. From time to time, B. C S. R. establishes prices by adding freights to a Vancouver base price. The formulae determine a pricing frontier in Saskatchewan on the western side of which B. C. S. R. uses its own prices, and on the eastern side, both western and eastern sugar is priced on the basis of eastern prices. To this it is necessary to add that in Saskatchewan, beet sugar has a list price 10 cents less than cane sugar and in Manitoba the differential recently has been 20 cents.

3. Exchange of Information in Regard to Delivered Prices

The use of the system of delivered prices in the areas where prices are determined in relation to the Montreal base has been accompanied by the exchange of detailed information between brokers in Winnipeg acting as representatives of B. C. S. R. and C. S. F. and brokers acting as representatives of Canada and Dominion Sugar Company. It is obvious, of course, that in any market suppliers will endeavour to secure as much information as possible about the selling policies of possible rival sellers and particularly about the prices at which goods are offered.

Under a system of delivered prices a general change in price involved changes in the prices for all the points at which delivered prices are quoted. A few examples from the evidence will indicate how information has been exchanged. The brokerage firm of Donald H. Bain Limited has been the representative of B. C. S. R. and C. S. F. and the brokerage firm of Grant, Atkinson & Blair has acted as brokers in Winnipeg for Canada and Dominion Sugar Company. On April 27, 1951 Donald H. Bain Limited wrote to

Grant, Atkinson & Blair:

> "Referring to telephone conversation, we give you hereunder Canadian Sugar Factories' prices cotton basis, effective April 16th/51 at the following points:
>
> | | |
> |---|---|
> | Churchill | $12.83 |
> | Wabowden | 12.30 |
> | Gillam | 12.53 |
> | The Pas | 12.10 |
> | Flin Flon | 12.17 |
> | Thicket Portage | 12.34" |

(ASA 105)

In view of a pending increase in freight rates the trade was notified in February, 1952 that the price of sugar would be increased. On February 7, 1952, Donald H. Bain Limited wrote to C. S. F.:

> "We attach hereto Grant Atkinson & Blair's price list on sugar effective February 11th, also list of equalized freight rates to various points in Manitoba.
>
> We have asked these people to let us have equalized rates for Winnipegosis, Grandview, Birch River, Benito, Minitonas and Pine River, and as soon as we have this information we will send it to you."

(AMF 1080A)
(ATH 390A)

A further letter containing the following was sent to B.C.S.R. on February 12, 1952:

> "We sent you last week a list of equalized freight rates published by Grant Atkinson & Blair for points in Manitoba.
>
> We have now secured from them equalized freight rates for other points which we had on our list and these are as hereunder:
>
> | | |
> |---|---|
> | Benito | 2.34 |
> | Birch River | 2.34 |
> | Grandview | 2.14 |
> | Minitonas | 2.27 |
> | Pine River | 2.20 |
> | Winnipegosis | 2.20 |
>
> and in order to establish the price at these various points you simply take the Montreal price which is $10.20 and add these rates to it."

(AMF 1057)

In 1952, beet sugar was apparently priced at a differential of 10 cents under the price of cane sugar. On September 19, 1952, C. S. F. wrote to Donald H. Bain Limited as follows:

> "We enclose herewith, price lists of Alberta Sugar in Manitoba, effective September 18th. Would you kindly check this list over, advising if same is correct, 10¢ under Cane Sugar.
>
> Would you kindly send us a price list issued by the Eastern Refineries. We are especially interested in their prices at The Pas, Flin Flon, and Churchill. No doubt you could advise us the prices that the Eastern Sugar Refineries quote at the three places mentioned above."

(ATH 441A)

The reply to this letter from Donald H. Bain Limited contained the following:

> "We are in receipt of your letter of the 19th attaching price lists on Alberta sugar for points in Manitoba, for which we wish to thank you. We have checked over these prices and find same to be correct.
>
> . . .
>
> We note also you state you are especially interested in the Eastern Refineries' prices at The Pas, Flin Flon and Churchill. We are afraid that we cannot give you prices at these points as the Eastern refiners advise they do not quote for shipment to the points mentioned, and if they receive enquiries they use our prices."

(ATH 63B)

On November 26, 1954, Donald H. Bain Limited wrote to C. S. F. as follows:

> "On the 24th we sent you new price list on sugar issued by Grant Atkinson & Blair, effective December 1st. and attached to it freight equalization sheet.
>
> After it has served your purpose would you please return this equalization sheet to us, or a copy of same, as G. A. & B. have no extra copies they can give us.
>
> . . ."

(ATH 541)

4. Varying Factory Returns Produced by Delivered Pricing

The fact that western beet sugar is sold on the basis of the prices established for cane sugar without regard to the actual cost of transportation from the beet sugar factory means that the net return to the beet sugar factory from the sale of refined sugar is a varying one depending on the amount of freight charges included in the price established for cane sugar. The net returns from sales in the eastern Prairies is further affected by the fact that prices in this area are established on the Montreal base.

Table 18, based on a tabulation made for the Commission by B. C. S R., shows the price of cane sugar on September 28, 1956 at a number of points in the Prairie Provinces and the then current freight rates from each western refinery to the same points.

Table 18 - Current Selling Prices for Sugar and Current Freight Rates, as of September 28, 1956, for Various Municipalities in the Prairie Provinces

City or Town	Current Selling Price Basis Fine Gran. Cane Paper 100's[1]	Vancouver	Raymond	Taber	Picture Butte	Winnipeg
Alberta						
Calgary	9.63 Delivered	150	30*	30*	30*	150*
Edmonton	9.80 "	172	60*	60*	60*	150*
Grande Prairie	10.54 "	183*	172	172	168	250
Lethbridge	9.85 "	172	13*	13*	13*	150*
Medicine Hat	9.94 "	181	42*	30*	42*	150*
Red Deer	9.81 "	168	45*	45*	45*	189
Vermilion	10.07 "	194	161	161	157	159
Wainwright	10.02 "	189	156	156	152	154
Saskatchewan[2]						
Estevan	9.94 "	250	124	120	128	90
Lloydminster	10.08 "	198	128	128	124	150*
Melfort	10.24 "	246	146	137	146	120
Melville	9.89 "	259	169	156	169	73*
Moose Jaw	10.09 "	224	107	60*	107	91*
N. Battleford	10.18 "	215	146	146	141	124*
Prince Albert	10.32 "	236	150	141	150	117*
Regina	10.11 "	228	70*	70*	70*	86*
Saskatoon	10.11 "	224	75*	75*	75*	107*
Swift Current	10.12 "	202	86	40*	86	128
Tisdale	10.15 "	250	164	150	159	111
Weyburn	9.98 "	236	116	111	120	94
Yorkton	9.89 "	263	154	141	154	73*
Manitoba[3]						
Brandon	9.79 "	268	134*	134*	134*	52*
Dauphin	9.88 "	280	201	193	201	58*
Flin Flon	10.32 "	293	227	218	227	118*
Selkirk	9.41 "	297	177	168	177	27
Souris	9.79 "	268	146	141	150	67
Winnipeg	9.41 "	180*	110*	110*	110*	-

(for footnotes see next page)

Footnotes for Table 18

1. All current prices as shown are subject to a discount of 5%.

2. Beet sugar sells at a 10¢ differential below cane.

3. Beet sugar sells at a 20¢ differential below cane.

* Rates thus marked are applicable rates for sugar lower than fifth class freight.

- - -

From the information contained in Table 18 it is possible to calculate the net return at the factory, less discount and freight, for shipments to each of the municipalities listed. For purposes of simplification it will be assumed that shipments from C. S. F. factories would be made from the factory having the lowest freight rate, in cases where the freight rates differ.

Table 19 - Net Return at Factory for Shipments of Sugar to Various Municipalities in the Prairie Provinces as of September 28, 1956

City or Town	List Prices		Net Price*	Net Return**	
	Cane	Beet	Beet	C. S. F.	Manitoba Sugar
	$	$	$	$	$
Alberta					
Calgary	9.63	9.63	9.15	8.85	7.65
Edmonton	9.80	9.80	9.31	8.71	7.81
Grande Prairie	10.54	10.54	10.01	8.33	7.51
Lethbridge	9.85	9.85	9.36	9.23	7.86
Medicine Hat	9.94	9.94	9.44	9.14	7.94
Red Deer	9.81	9.81	9.32	8.87	7.43
Vermilion	10.07	10.07	9.57	8.00	7.98
Wainwright	10.02	10.02	9.52	8.00	7.98
Saskatchewan					
Estevan	9.94	9.84	9.35	8.15	8.45
Lloydminster	10.08	9.98	9.48	8.24	7.98
Melfort	10.24	10.14	9.63	8.26	8.43
Melville	9.89	9.79	9.30	7.74	8.57
Moose Jaw	10.09	9.99	9.49	8.89	8.58
N. Battleford	10.18	10.08	9.58	8.17	8.34
Prince Albert	10.32	10.22	9.71	8.30	8.54
Regina	10.11	10.01	9.51	8.81	8.65
Saskatoon	10.11	10.01	9.51	8.76	8.44
Swift Current	10.12	10.02	9.52	9.12	8.24
Tisdale	10.15	10.05	9.55	8.05	8.44
Weyburn	9.98	9.88	9.39	8.28	8.45
Yorkton	9.89	9.79	9.30	7.89	8.57
Manitoba					
Brandon	9.79	9.59	9.11	7.77	8.59
Dauphin	9.88	9.68	9.20	7.27	8.62
Flin Flon	10.32	10.12	9.61	7.43	8.43
Selkirk	9.41	9.21	8.75	7.07	8.48
Souris	9.79	9.59	9.11	7.70	8.44
Winnipeg	9.41	9.21	8.75	7.65	8.75

* After deducting discount of 5% from list price.

** After deducting freight rate shown in Table 18.

The figures for net return are based on the freight rates as reported by B. C. S. R. and shown in Table 18. If transportation can be done more cheaply by trucking the net return would be increased by any difference between railway freight and trucking. It will also be apparent from the tables that freight rates reflect in some instances the volume of traffic or, perhaps, the availability of alternative means of transportation. For example, the following are the railway mileages and rates from Taber and Winnipeg to Regina and Saskatoon:

	Mileage	Freight
Taber to Regina	380	70 cents
Winnipeg to Regina	356	86 "
Taber to Saskatoon	543	75 "
Winnipeg to Saskatoon	470	$1.07 "

CHAPTER V

EFFORTS OF B.C.S.R. TO MAINTAIN AND EXPAND SALES OF ALBERTA BEET SUGAR

1. Expansion of Sales of Alberta Beet Sugar in Period before Wartime Sugar Rationing

In 1931, the year in which B. C. S. R. took control of C. S. F., production of beet sugar from the Raymond factory, the only plant then in operation, was 31 million pounds. This quantity was probably equivalent to about 60 per cent of the total consumption of sugar in Alberta at that time. A number of years of promotional work on the part of B. C. S. R. and C. S. F. were required, however, before the sale of beet sugar in Alberta rose to 60 per cent of the total and from the start it was necessary to sell beet sugar in Saskatchewan as well. Even though the production of beet sugar at Raymond was only equivalent to about 40 per cent of the total amount of sugar sold in the two provinces, considerable difficulty was experienced in securing this proportion of the market. In a letter of January 15, 1934, to the Prime Minister of Canada, E. T. Rogers, then President of B. C. S. R., wrote:

> ". . .
>
> . . . we wish to point out that many of our customers have a strong preference for cane sugar, and,in spite of a vigorous advertising campaign, and a price differential in favour of beet sugar, we have been unable to maintain the necessary volume of beet sugar sales, with the result that we were obliged to carry over into 1933 ten per cent of our 1932 production . . .
>
> . . ."

(AMF 98-102)

As will be seen from Tables 15 and 16, by 1935 (the first year for which a break-down of C. S. F. sales is available) sales of beet sugar in Alberta amounted to 54 per cent of the total and in Saskatchewan to 31 per cent of the total for that province. Between 1931 and 1934 (production from the latter year would be largely sold in 1935), production of beet sugar at Raymond increased by approximately 22 million pounds, while sales of B. C. cane sugar in the provinces of Alberta and Saskatchewan from 1931 to 1935, declined by approximately the same amount. The policy of reducing

sales of cane sugar in the Prairie Provinces when this would assist the sale of Alberta beet sugar has been consistently followed by B. C. S. R. The brief submitted to the Commission on behalf of B. C. S. R. states:

> ". . .
>
> . . . At no time has B. C. S. R. refused to sell a customer in Alberta or Saskatchewan cane sugar if he insisted on it. However, great persuasion has been used to get customers to buy beet sugar, as the sugar had to be sold as it had been produced and the next crop was always in prospect.
>
> . . ."

In 1936, the Picture Butte factory of C. S. F. came into production and the total output of Alberta beet sugar was increased substantially. B. C. S. R. and C. S. F. were not successful in increasing sales of beet sugar sufficiently in Alberta and Saskatchewan to absorb the increased production and in spite of the increased freight on shipments further east an expansion of sales territory was considered. At this time the province of Manitoba was supplied with sugar entirely by eastern refiners as there was no beet sugar factory in the province and sales of western sugar did not extend further east than Saskatchewan.

There is little evidence as to contacts between B. C. S. R and eastern refiners prior to this period but correspondence in evidence of the inquiry indicates that senior officers of the respective companies communicated on occasion about situations which were regarded as disturbing to price relationships of eastern and western sugar in the boundary area established by freight rates from the east and west. Such matters as car diversions on the railway and trucking which would shift the normal market territories were among those discussed in such communications. It was, therefore, in keeping with this attitude for E. T. Rogers, then President, B. C. S. R., to write the following letter to C. H. Houson, then President of Canada and Dominion Sugar Company, on August 17, 1937:

> "We are faced with a very difficult problem in the disposal of our production of Beet Sugar, due to the fact that our second factory was brought into operation at a time when the market was not yet ready to absorb an increased proportion of Beet Sugar. Present prospects indicate a carry-over at the end of September of between ten and fourteen million pounds, and the coming crop, unless damaged by frost, is expected to yield at least 1 Ton per acre more than last crop.
>
> Under the circumstances, we feel obliged to do whatever we can to enlage our market for Beet Sugar, and as the

Provinces of Alberta and Saskatchewan and the easterly portion of British Columbia are already saturated, there remains only Manitoba as an outlet for our surplus production. The only other alternative would be the reduction of acreage, which is hardly practical under present conditions.

As far as this Refinery is concerned, we are not interested in Manitoba as long as the freight rates are against us, but with our Beet Sugar subsidiary the case is different. For instance, the rate from Raymond to Brandon is 86¢.

Before taking any action in the matter, I would be very glad to have your views."

(AMF 239-240)

Mr. Rogers' letter was acknowledged in Mr. Houson's absence by W. J. McGregor, then Secretary-Treasurer of Canada and Dominion Sugar Company, whose reply, dated August 26, 1937, contained the following:

". . .

Speaking personally, I do not see how your suggestion could be worked out, as our field in the West is already limited to Eastern Saskatchewan. In looking over the population of Alberta and Saskatchewan, it is approximately 1,700,000, so that 35# per capita in the two provinces should absorb your beet production and then of course, you have Eastern British Columbia, to the points where the mountain freight rates change.

I have followed the policy of confining the sale of our beet sugars to western and northern Ontario points, insisting that the buyers take a certain proportion of beet sugar at a differential, in line with their cane requirements. I should imagine that you could also adopt a similar policy, applicable to Eastern British Columbia, Alberta and Saskatchewan as far as the Regina border.

. . ."

(AMF 238)

In a reply to Mr. McGregor's letter, Mr. Rogers wrote on August 30, 1937:

". . .

I think we are doing everything within reason to increase the proportion of Beet Sugar sold, but our experience has been that, while it is comparatively easy to sell 30% or 40% Beet Sugar, it is a very different matter to raise the proportion to 50% or 60%. Apparently some customers are quite indifferent as to

what kind of Sugar they buy, while others will take Beet because it is sold at a differential, but there are still others who absolutely refuse to buy Beet Sugar, particularly at jamming time, and while we have been trying to break down this prejudice by means of advertising, etc., our output, as previously mentioned, has got ahead of consumption.

With regard to the third paragraph of your letter, I do not understand how you can insist that a buyer shall take a certain proportion of Beet Sugar. Would he not transfer his account to another refiner rather than purchase something he did not want? In our case the situation is somewhat different, in that we represent the only source of supply over a considerable area, but we would consider it poor policy to take advantage of that position by attempting to force our customers to purchase Beet Sugar when they wanted Cane. I feel sure that any such attempt would raise a storm of criticism amongst the trade.

. . ."

(AMF 236-237)

Also on August 30, Mr. Houson made the following reply to Mr. Rogers' letter of August 17:

". . .

I will be relieved if you can leave matters as they are for the present, until we can get together personally and talk things over. I might tell you there has been a feeling for some time that the territory covered at present by your company was a very extensive one and that your distribution was very large. Should any attempt on your part be made to spread out from your present position, I am fearful of an overlapping of territories, which I do not believe will be beneficial to any of us."

(AMF 235)

Mr. Rogers replied to this letter on September 1. He wrote, in part:

". . .

It was not my intention to make any attempt to enlarge our outlets for Beet Sugar until we had more certain knowledge of the size of the next crop, and even then it may not be necessary to do anything if the proportion of Beet Sugar sold in existing territory can be increased the required amount. I thought it advisable, however, to let you know the position in case we become forced, by a continually increasing surplus, to take some action in order to dispose of such surplus."

(AMF 233-234)

Mr. Houson acknowledged receipt of Mr. Rogers' letter on September 4 and replied:

> ". . . I note it may not be necessary to do anything if the proportion of beet sugar sold in existing territory can be increased to the required amount. I trust this is just what will occur.
>
> There are some points I would like to bring up but this cannot be done very well by correspondence and I presume you will not be in the East for some little time. I know the feeling of our own people in this matter as well as that of the Eastern refiners and I am certain that by selling further Eastward as you have tentatively suggested, the small benefit you would secure would be more than offset by other disadvantages.
>
> . . ."

(AMF 232)

By November, 1937 B. C. S. R. had decided to enter the Manitoba market with Alberta beet sugar. On November 8, 1937, E. T. Rogers wrote W. J. McGregor in reply to a letter from the latter dealing with reports from Manitoba about western sugar being trucked into Manitoba from points near the Saskatchewan-Manitoba boundary at prices lower than those for eastern sugar. Mr. McGregor had expressed the hope in his letter that something could be done to correct the diversion practice. Mr. Rogers' reply contained the following:

> ". . .
>
> As regards Beet Sugar, the situation is no doubt aggravated by the 20¢ differential in effect in Saskatchewan, but there would be no advantage in rectifying that situation as we have finally come to the conclusion that the disposal of our Beet production is quite impossible in Alberta and Saskatchewan and we will be obliged to dispose of the balance in Manitoba.
>
> Last year we produced some 65,000,000 lbs. and had a carryover of over 10,000,000 lbs. This year from the same acreage we now expect to produce 74,000,000 lbs. so you can see what we are up against.
>
> There is one point which I neglected to mention in previous correspondence on this subject, and that is that this increased output for a market already saturated with Beet Sugar was not of our choosing. As you are probably aware, had we not agreed to establish a second factory at Picture Butte and contract for 5,000 additional acres of Beets, the Alberta Government would have entered into an agreement with the Amalgamated Sugar Company whereby that Company would have established a large

factory, for which they stated that they would accept contracts for from 20,000 to 25,000 acres of Beets, which, of course, would have completely demoralized the market in the three Prairie Provinces.

I have not discussed this matter with any of the Eastern Refiners and do not propose to do so; perhaps, however, when the question of why we are shipping so far afield is raised you may have an opportunity of explaining our position. Obviously, it would be absurd for us to continue to pyramid our carryover and you will appreciate as well as I do the difficulty of restricting acreage.

As far as B. C. Sugar is concerned, we are studying the Yorkton situation with a view to making some adjustment, if possible, which will have the effect of preventing shipments to Manitoba points, at the same time preserving our market in Eastern Saskatchewan.

. . ."

(AMF 227A-229)

On November 26, 1937, W. J. McGregor sent the following telegram to E. T. Rogers:

"HOPE MR ADAMSON HAS DISCUSSED WITH YOU OUR TELEPHONE CONVERSATION OF THIS MORNING STOP UNLESS HEARING FROM YOU TODAY WILL ASSUME YOU HAVE NOT ALTERED YOUR DECISION ON THIS MATTER WHICH I CONSIDER IS OF VITAL IMPORTANCE TO BOTH OF US BEST REGARDS."

(AMF 225B)

The following telegram in reply was prepared by E. T. Rogers on the same day:

"Replying your wire regret can see no alternative to proceedure [sic] contemplated and now that we know this season's production any further delay would only increase our difficulties in disposing of surplus kind regards"

(AMF 224A)

The sequence of events at this time is described, as follows, in the brief submitted to the Commission on behalf of B. C. S. R :

". . .

On November 24, 1937 C. S. F. made their first move by

offering Alberta sugar at 15¢ per 100 pounds under the price for Eastern cane sugar. This sold some sugar until on November 29 the Eastern refiners cut their price from $5.20 per 100 pounds to $5.05 to meet Alberta competition. C. S. F. promptly cut to $4.90, which was followed by the Easterners on November 30. These progressive cuts continued in 15¢ amounts until on December 1 Eastern sugar was offered at $4.00 and Alberta sugar at $3.85. By this time it was apparently obvious to the Eastern refiners that C. S. F. was determined to become established in the Manitoba market and on December 2 they withdrew from the price war and re-established their price at $5.20. On the same day C. S. F. re-established their price at $5.05 or 15¢ per 100 pounds under the Eastern price, and C. S. F. has had a share of the Manitoba market ever since. During the price-war period, C. S. F. sold a total of 3,322,000 pounds of Alberta sugar in Manitoba, all of which was finally invoiced at the low price of $3.85, as during that period wholesalers were protected against decline in price on sugar in transit.

The price war extended into Saskatchewan, as Eastern refiners offered sugar in Regina, Saskatoon and six other main Saskatchewan points at prices considerably under C. S. F. C. S. F. cut below them and held the market except for a few carloads. Eastern sugar was also offered in Alberta, but as far as C. S. F. knew, no Eastern sugar was sold in that province.

. . ."

On December 1, 1937 when, according to the above account, the price of sugar reached its lowest point in Manitoba, E. T Rogers drafted the following telegram to J. W. McConnell, then President, St. Lawrence Sugar Refineries Limited:

"Only alternative we have to marketing surplus beet production in Manitoba is drastic reduction acreage for coming season which we do not consider feasible stop Have you any suggestions?"

(AMF 226)

Although the brief of B. C. S. R. states that the price of eastern sugar was re-established first, the recollection of T. George Wood, who was General Manager of C. S. F. at the time, was as follows:

"Q. Emerging from the price war that occurred, what happened then?

A. Again, what I know of the situation -- I only know it from instructions that I have received from Vancouver. But at the close of that period I think it is proper to say that we were the first people that put our price up. In other words

we had had enough of the battle, and so did the other fellows. So they started to restore the prices of sugar, and most of this testimony that was in this Statement of Evidence is new to me. But I think it is quite evident that there was considerable manoeuvering for position after the price war."

(Hearing, p. 510)

Mr. Wood also recalled that the sales of Alberta sugar in 1937 in Manitoba were made within the 10-day period of the price war (Hearing, p. 509). That this was the situation is also indicated by the following portion of a letter of December 13, 1937 from Donald H. Bain Limited to C. S. F.:

". . .

The retail trade, particularly, like your Fine Sugar. They also like the clean, attractive bags. We feel that we should be in a position to continue to sell and develop the sale of Alberta sugar on a basis without loss to you.

In connection, however, with selling on the same basis as Dominion, you can quite realize that we will have to have a differential under Dominion due to the fact that when a buyer purchases from them they can also purchase specialties for enclosure in this car to the head of the lakes. We therefore suggest that you endeavour to allow us to take business on a basis of the present price of $5.15 which is the price Eastern refineries are selling cane sugar at, (Dominion selling at $5.10) and allow us to make a confidential allowance ourselves of 10 or 15¢ under this basis to our buyers. We believe this matter could be kept confidential without breaking the price. We feel that if we do openly meet Dominion at $5.10, the Eastern refineries will automatically reduce their price as they have intimated to our trade that they are definitely going to keep Alberta sugar out of Manitoba.

. . ."

(AMF 222-223)

Early in 1938, W. J. McGregor of Canada and Dominion Sugar Company renewed suggestions for a meeting to discuss the situation in Manitoba. In a letter to Mr. McGregor on January 21, 1938, E. T. Rogers wrote:

"Replying to your letter of the 17th January, I did think of taking a trip to the East at one time, but on further consideration I came to the conclusion that no good purpose could be served. The only point in making the trip would have been to endeavour to reach some understanding whereby Raymond surplus sugar could

be sold in Manitoba without unduly demoralizing the market, but after my telephone conversation with one of the Eastern Refiners I came to the conclusion that nothing of the kind could be effected, though it does seem odd that four eastern Companies can sell sugar in Manitoba without disrupting the price, whereas the entry of a Western Producer immediately results in a price war.

No amount of discussion will alter the fact that we have a large surplus to dispose of, some of which must be sold in Manitoba, but if you have any suggestions to offer I will be very glad to have your views. Would you consider some arrangement whereby you took over the sale of our surplus in Manitoba?

. . ."

(AMF 219B-220)

In a letter in reply on January 31, 1938, Mr. McGregor referred to a telephone conversation with Mr. Rogers in the previous year in which he had suggested that his company undertake distribution of Alberta beet sugar in Saskatchewan along with the sale of cane specialties (AMF 217A-218).

A memorandum of March 30, 1938 in the files of B. C. S. R. contains the following:

"McGregor called - suggested we consider packing Manitoba sugar in their bags - advantage - less chance of starting price war with cane people. I said I would consider it.

He said 'they were not selling a pound of beet', and had 15 million at head of lakes.

. . ."

(AMF 209)

In a letter of April 8, 1938 to T. George Wood, E. T. Rogers referred to the reported amount of eastern beet sugar at the head of the lakes and then went on:

". . . It is reasonable to suppose that if we continue a selling policy which has the effect of driving Eastern Beet Sugar out of the market, sooner or later the Canada & Dominion will be put into the position of selling the Sugar at whatever price they can get for it. On the other hand, if we regulate our sales in such a way that a certain quantity of Eastern Beet Sugar can also be sold, I do not believe that would be a signal for Chatham to ship further supplies to the head of the Lakes, first because their production last year was only 45,000,000 lbs., and secondly because I understand they are having great difficulty in signing up sufficient acreage for the coming season.

Assuming that the suggestion offered in my wire is followed, even if it results in a very marked falling off in business, I would suggest that you permit matters to run their course for a time, thereby making possible the disposal of some of the Eastern Beet Sugar now hanging over the market and at the same time we can ascertain whether it is possible to build up a normal business at little or no differential against Eastern Beet.

. . ."

(AMF 207-208)

The following day, April 9, 1938, T. George Wood sent the following telegram to E. T. Rogers:

"IN WINNIPEG WHOLESALE GROCERS HAVE AGREED WITH DOMINION TO USE FIFTY PERCENT OF THEIR BEET SUGAR FOR BEET REQUIREMENTS DOMINION ARE OPENLY QUOTING LARGER JOBBERS SAME PRICE AS OUR CONFIDENTIAL PRICE THEIR LIST IS WISDOM [$5.00] HAVE TOLD SMALE THAT WE WOULD BE CONTENT FOR THE TIME BEING WITH THIS PROPORTION OF BUSINESS MAKING NO CHANGE IN OUR ALLOWANCE."

(AMF 206B)

In May, 1938, W. J. McGregor had discussions with E.T. Rogers in Vancouver. According to an account of the discussions prepared by Mr. Rogers on May 26, 1938, Mr. McGregor was prepared to agree that 20 million pounds of Alberta sugar could be marketed in Manitoba if it were found impossible to sell it in other provinces. A proposal was made that Alberta sugar should be sold on the same price basis in Manitoba as eastern beet sugar and to accomplish this that the agent for Canada and Dominion sugar should also handle Alberta sugar. This proposal was objected to by Mr. Rogers as likely to lead to criticism of such close co-operation between two companies.

His account then goes on:

". . .

(5) As an alternative, I suggested that our agent should approach the Canada & Dominion agent with a view to reaching an agreement between themselves whereby we would secure the necessary volume of Beet Sugar sales, which would be placed in conjunction with sales of Canada & Dominion specialties. There would be no arrangement or agreement of any kind but Donald H. Bain would merely secure the necessary volume by working with Mason &

Company rather than against them.

. . .

After thinking the matter over, I have come to the conclusion that we should give this proposal a trial and I think the best way to approach Bain would be for you to call on Smale either at Winnipeg or some other convenient point and discuss the proposal with him in detail.

In case any additional commission is required due to handling the business through two brokers, we could well afford to pay the higher commission if we could be assured of selling at a reduced differential. It would be necessary for Bain and Mason & Company to work out the details between them as there would be no understanding of any kind between their principals. The whole question should be handled just as if we were suggesting on our own initiative that Bain might get in touch with Mason & Company to find out whether it would be possible to secure a greater volume of business and sell in a more orderly manner by arranging to supply Alberta Beet with Eastern Cane and Eastern Specialties.

. . ."

(AMF 195-198)

This account of the discussions was prepared by Mr. Rogers in the form of a letter to T. George Wood but it has the notation, "Phoned instead - Wood will 'phone Smale [Vice-President, Donald H. Bain Limited] ". In his evidence Mr. Wood said he did not receive such a letter but he recalled receiving such instructions from Mr. Rogers which he summarized as instructions "that we should give the C. and D. -- to be specific -- an opportunity to move their sugar that was at the head of the lakes." (Hearing, pp. 514-515).

Donald H. Bain Limited, brokers for Alberta sugar, were instructed to proceed along the lines indicated by Mr. Rogers and detailed arrangements were reported by A. J. Smale of Donald H. Bain Limited to have been worked out at a meeting in Chicago with W. J. McGregor of Canada and Dominion Sugar Company and a representative of the Winnipeg brokers for the latter. In his report of the meeting in a letter to E. T. Rogers on June 21, 1938 A. J. Smale wrote that Canada and Dominion Sugar Company would move a considerable part of its Lakehead stocks of sugar to the east and withdraw eastern beet sugar from the Manitoba market until the new crop was available. At the end of June, Alberta sugar would be offered at a straight differential of 8 cents under the price of eastern cane sugar instead of the maximum allowance of 15 cents which had previously been in effect. Mr. Smale's report then went on:

". . .

SHIPMENTS It was also discussed, and the writer notes you are in agreement, that during the months of July, August, September and October, that we were to ship into Manitoba up to two and one-half million pounds per month but not more than this quantity in any one month and that at the end of October we should be less aggressive and be satisfied with less sales for the balance of the year, in order that Dominion might move some of their new crop sugar. I note from your remarks on the phone that this meets with your approval.

. . ."

(AMF 185-186)

The distribution of Alberta and eastern beet sugar apparently proceeded along the lines indicated for the remainder of the 1938-39 crop year. In October, 1938 eastern beet sugar became available at Winnipeg and Alberta sugar was apparently withdrawn from that market. This situation seems to have continued until the spring of 1939, as indicated by the following letter, dated April 17, 1939 from Donald H. Bain Limited to B. C. S. R. :

". . .

As requested in your wire of the 14th, we advised you that Dominion expect to clean up their stocks of sugar at the Lake Head by the end of this month, and we felt that we should start offering sugar about the 20th. We received your wire of the 15th, advising that you would prefer to wait until Mr. Wood's return which will probably be Monday, at which time you would discuss the matter of entering the Manitoba market.

. . ."

(AMF 392A)

A somewhat similar arrangement was apparently followed for the crop year 1939-40. On April 9, 1940, W. J. McGregor of Canada and Dominion Sugar Company wrote to P. T. Rogers, who had recently become President of B. C. S. R., that he had heard that Alberta sugar was to be offered on the Winnipeg market and he wished that such action would be delayed until June 1 as his company still had a considerable amount of beet sugar at the Lakehead. In a reply to this letter on April 15, 1940, Mr. Rogers wrote:

". . .

While we would not wish to withdraw from the Market, once having entered it, we will take your Lakehead stocks into consideration, and with this in mind, I have written Mr. Wood

instructing him to go slow with our sales, in order to give you the opportunity to dispose of your stocks.

We will probably concentrate for the next few weeks on the more favourable Western points, and the volume into Winnipeg should be small."

(AMF 383)

By the fall of 1940, the factory of Manitoba Sugar was in operation and Manitoba beet sugar was offered for the first time. However only 8 million pounds of Manitoba sugar were sold in the calendar year 1940. The entrance of the new producer created some fear that there might be some price cutting in the Manitoba market and the possibility was discussed in correspondence between C. H. Houson of Canada and Dominion Sugar Company and P. T. Rogers of B. C. S. R. In a letter of November 26, 1940, Mr. Rogers wrote that it would be the policy of his company not to disturb the differential or to offer advertising allowances as long as a sufficient sales volume could be maintained (AMF 266B-267). On December 21, 1940, Mr. Houson wrote to Mr. Rogers:

". . .

Am afraid we are going to have a bit of a scrap in Winnipeg. The Manitoba Sugar Company claim they are not cutting in any way or making any rebates. However, from what we hear from all sides, they are, and I would like to get your reaction to it. I am just afraid no matter whether there is cutting now or not, it will soon start, and there will be another debacle such as we had three years ago which I hope we can avoid."

(AMF 45B)

In a reply on December 27, 1940, Mr. Rogers reaffirmed the policy indicated in his earlier letter of not making any allowances if sales volume was maintained.

A Sugar Administration had been set up under the Wartime Prices and Trade Board shortly after the beginning of war in 1939, and supervision of refineries' operations was maintained from that time on. Formal control over resale prices of sugar came about with the adoption of the general price ceiling in December, 1941 and consumer rationing of sugar was introduced in January, 1942, first by the "honour system" and then, in July, 1942, by coupon. Prior to the establishment of these formal controls the Sugar Administration was working closely with the refining industry to ensure, as far as possible, the maintenance of supplies of raw sugar and the appropriate distribution of refined sugar. In April, 1941 an arrangement was worked out, with the concurrence of the Sugar Administration, between B. C. S. R. and the eastern refiners looking to the marketing

of a designated amount of Alberta beet sugar in Manitoba during the next twelve months and the withdrawal, for a consideration, of eastern cane sugar from Saskatchewan. From this period on, as will be seen from Table 17, the Manitoba market for the remainder of the war was largely supplied with beet sugar from Alberta and Manitoba. A small proportion of eastern cane sugar is also shown by the table for this period but presumably this consisted mainly of brown and specialty sugars which are not produced from sugar beets.

2. Period of Wartime Controls

It is not necessary for the purposes of this inquiry to review the operations of the sugar industry during the period of wartime controls. The nature and dates of the various measures and the times when controls were removed are indicated in the following extracts from the brief submitted to the Commission by B.C.S.R.:

> ". . .
>
> . . . On June 17, 1942 the Wartime Prices and Trades Board Order 150 was issued effective July 1, 1942. This order instituted coupon rationing and all industrial users, hotels, restaurants, etc. were registered. Area sugar officers were set up in Eastern Canada - in Winnipeg and in Vancouver - operating under the direct control of the Sugar Administration - and handling distribution problems.
>
> Wartime Prices and Trades Board Order 176 issued September 5, 1942 effective October 1, 1942 gave further and more stringent instructions.
>
> On November 1, 1947 coupon rationing of sugar ended, although prices, distribution and supply controls continued.
>
> March 23, 1949 - Price ceilings were taken off sugar at the wholesale and retail level, but the refiners' price for both raw and refined was still controlled due to our contract with the Canadian Sugar Stabilization Corporation, which corporation was formed on January 28, 1947 by Order in Council P.C. 328, to take over the duties formerly conducted by the Sugar Administration. In other words, as far as the refiners were concerned, there was no change in sugar control.
>
> On December 27, 1949 the jobbers' discount was reinstated at 5% of the full price and the Canadian Sugar Stabilization Corporation adjusted the refiners' price for refined sugar upward to take care of this additional cost to the refiners. At the same time the refiners were advised by the Canadian Sugar

Stabilization Corporation that they would supply the refiners with no more of their requirements of raws and from then on would have to do their own buying. It was stipulated, however, by the Canadian Sugar Stabilization Corporation that until all the price guaranteed raws that had been supplied by the Corporation to the refiners were used up there must be no change in the refined price.

In March, 1950, all these price guaranteed raws were exhaus[t]ed by the Canadian refiners who were then free to arrange raws direct from raw sugar producers and conduct their businesses at their individual discretions as to price, discount, package differentials, etc. This definitely terminated any cooperation between refiners[1] with the exception that the Canadian Government a little later concluded a Trade Agreement with Cuba, Haiti and the Dominican Republic under which Canada agreed to purchase a set tonnage of raw sugar in each of the years 1951, 1952 and 1953 from these three producing countries. Refiners were instructed by the government to cooperate with the Department of Trade and Commerce, Ottawa to work out how much of these purchases should be taken by each refiner and this was done. At the conclusion of the trade agreement B. C. S. R. had no further dealings of any kind with any other Canadian refiner.

. . ."

---

1. This statement relates to B. C. S. R. In the Statement of Evidence the following additional comment is made:

> "Toward the end of 1949, the Canadian Sugar Stabilization Corporation Ltd. began to withdraw from the task of bulk purchasing of raw sugars, and by the end of March 1950, had ceased to operate altogether. After its withdrawal from the purchasing of raw sugar however, for a time Canadian refineries continued purchasing supplies under contract with the British Ministry of Food, and for this period the Eastern refiners made joint arrangements for such purchases."

3. Distribution of Alberta Beet Sugar in Post-War Period

It will be seen from Table 12 that the production of beet sugar in Alberta declined after 1946 until the opening of the Taber factory in 1950. In fact, in the second year after the opening of the Taber factory, that is in 1951, there was also a low output of beet sugar in Alberta compared with the war years.

The relaxation of rationing in 1947 brought an immediate upsurge in sale of sugar, as will be seen from Table 7. This expansion continued into the following year and was met by increased sales of cane sugar in view of the limited supplies of beet sugar available.

In anticipation of the additional beet sugar capacity which would be provided by the Taber factory, B. C. S. R. was very anxious to maintain distribution of beet sugar in Manitoba, even though, as already mentioned, supplies were limited at the time sugar rationing was lifted. This feeling is reflected in the following portion of a Distribution Report of B. C. S. R. for the period October 1-December 31, 1948:

> ". . .
>
> As mentioned in the last report, the Administration approved distribution of 10,000,000 lbs. Alberta sugar in Manitoba during the crop year 1948-49. This approval is subject to revision at any time but we are willing to fight hard to hold distribution to at least that volume in Manitoba to protect that market as much as possible for after Taber comes into production.
>
> Ten million lbs. is a great reduction from 1947's 33,594,625 lbs. but is the most we can manage in view of the reduced amount of Alberta sugar available.
>
> . . ."

(AMF 641-656)

In July, 1949 the "Mountain Differential" was removed from freight rates within British Columbia and between British Columbia and points outside the province. The "Mountain Differential" had been a surcharge above standard prairie mileage rates and its removal lowered the scale of freight charges in the territory where prices were determined by B. C. S. R. Its removal also made possible the shifting eastward of the boundary between prices based on Vancouver and prices based on Winnipeg as it affected only freight rates from points in British Columbia. On the other hand, the reduction in freight rates from British Columbia with no corresponding reduction in freight rates from points in Alberta would lessen the net

return at the sugar factories in Alberta to the extent that prices of sugar were reduced. The policy was followed by B.C.S.R. of not reducing selling prices of sugar in the Prairies by the full extent of the reduction in freight rates. The general policy at this time is outlined as follows in a Distribution Report of B.C.S.R. for the period July 1 to September 30, 1949:

> ". . .
>
> On July 1st, 1949, the 'Mountain Differential' was eliminated, causing a reduction in prices in Alberta and Saskatchewan and a saving in freight for jobbers and manufacturers at B.C. points. The Vancouver base price was, of course, not effected [sic] and neither was the Winnipeg base price. The 'Mountain Differential' was a 25% surcharge over and above the standard prairie mileage rates and applied to freight movement between B.C. points and between B.C. points and prairie points to the extent of mileage in the mountain regions. This reduction averaged approximately 14¢ per 100 lbs. in Alberta and Saskatchewan and was a direct loss to Canadian Sugar Factories on their beet sales as freight charges from Alberta factories to prairie points were not effected [sic]. However, some adjustments of prices were effected at July 1st to offset, to some extent, this loss of net return on beet sugar sales and to show a higher net return on cane sales in the prairie provinces. In Alberta we changed our basis for establishing prices from Vancouver base plus freight plus one cent to Vancouver base plus freight plus five cents. The reason for this was to offset the discount on freight which we had allowed in the past. This move increased the cane net by four cents and reduced the beet loss by four cents.
>
> In western Saskatchewan we formerly based our prices on Vancouver base plus freight minus 9¢. At July 1st we eliminated the reduction of 9¢ and thereby increased cane net by 9¢ and picking up 9¢ of the beet loss.
>
> In Eastern Saskatchewan prices were still based on the Winnipeg base price, which was unaltered and we could not pick up the 9¢ as this would have meant a price increase. We therefore left Eastern Saskatchewan prices as they were except that the breaking line where prices made up from Vancouver and Winnipeg meet, moved further east and some changes in grading were necessary. . . .
>
> . . ."

(AMF 672-687)

As already mentioned, Manitoba Sugar refined cane sugar in 1949. The market situation created by this action was also the subject of comment in the same Distribution Report, as follows:

". . .

In October 1948 we decided to make our objective for Manitoba distribution 10,000,000 lbs. for the crop year 1948-49. Actual distribution was 10,209,800 lbs.

It was not too easy to reach our objective as the Eastern refiners were pushing Manitoba sales hard and also the Manitoba Sugar Company were refining raws. As mentioned in the last report, the Sugar Administration allocated 10,000 tons raw sugar to the Manitoba Sugar Company in April and they began to refine them in June. To clear the decks for this cane sugar, they pushed beet sales as hard as possible and by the end of June had sold 20,462,000 lbs. of their 1948 production of 25,034,000 lbs. In June they started selling cane refined and by the end of September had sold approximately 12,000,000 lbs. We were at a disadvantage, not being the local company or offering cane sugar, and had to do everything possible to promote sales of Alberta sugar. The chief factor which gained our objective was the secret discount of 10¢ we allowed to carload buyers in Winnipeg. This offer is fully described in the last report and was in effect throughout the period. The effectiveness of this move in Winnipeg is proved by the fact that our Winnipeg sales held up well, whereas our sales at other Manitoba points where we gave no discount fell off badly.

. . ."

(AMF 672-687)

During 1949, B.C.S.R. found that some cars of eastern cane sugar were being purchased by customers in eastern Saskatchewan who had been unable to buy cane sugar from Vancouver on a carload basis. The action taken to meet this situation is described in the following portion of the same Distribution Report:

". . .

This problem was carefully discussed by Mr. Rogers, Mr. Robertson and Mr. Wood and at that time a 10¢ cane/beet differential in the province of Saskatchewan was considered. However, as this would have amounted to approximately $40,000 per year, it was decided not to institute this differential but instead to throw open the Yorkton-Melville territory to B.C. cane sugar. It was considered that this move would stop eastern sugar coming in as most enclosures for Saskatchewan came from Vancouver and not Lakehead and there is a distinct advantage to jobbers in getting B.C. cars. . . .

. . ."

(AMF 672-687)

A somewhat similar situation in the Regina area was mentioned in a Distribution Report for the period January 1 to March 31, 1950, as follows:

> ". . .
>
> On January 11th, Bain, Regina reported that representatives of eastern refiners were contacting jobbers in the Regina territory offering them eastern cane sugar. Bains suggested the possibility of our offering B. C. sugar in that territory to prevent jobbers exercising any preference for cane sugar, as up to that time we had limited granulated in the Regina territory (except Yorkton and Melville) to beet. We agreed to this for competitive reasons . . .
>
> . . ."

(AMF 688-700)

B. C. S. R. apparently had as its objective the distribution of 6 million pounds of beet sugar in Manitoba during the crop year 1949-50, according to a memorandum from its files, entitled "Trip to Alberta, Saskatchewan & Manitoba, November 19 - 27, 1949". This memorandum also commented on the situation in Winnipeg at that time as a result of the trucking of sugar from the Lakehead at less than rail rates, as follows:

> ". . .
>
> The Manitoba Sugar Company protested strongly against our action in reducing our price 10¢ under list for direct cars from Alberta. We refused to consider their protest and told them that we were running our own business. It appears quite obvious that a cane-beet differential will come into force in that market before long.
>
> We were advised that Western Grocers and The G. McLean Co. are trucking sugar from Lakehead at a rate of 54¢ against a rail rate of 69¢. This means that in spite of the fact that they get the Lakehead discount, they are hauling cane sugar into Winnipeg at 12¢ under the list price. This indicates that we have to have our 10¢ discount to get any business from these two jobbers. Other jobbers are not trucking as the trucking companies have not sufficient capacity to haul for them but this can increase over a period. The Manitoba Sugar Company say that they are going to try and curtail this trucking through the railroads on the basis that storage charges at Lakehead are based on storage in transit and the sugar should move from Lakehead by rail.
>
> In Winnipeg our present position is that we give 10¢ off

list on direct cars from Alberta. We also give 10¢ to the G. McLean Co. on carloads ex storage as they have no siding and therefore would not buy Alberta sugar without this concession. We decided not to meet the Manitoba Sugar Company's competition by giving 10¢ off list on truck loads of sugar delivered to jobbers in Winnipeg, as we do not think this is necessary to get our required volume and we found out that this offer by the Manitoba Sugar Company is not general and does not apply to manufacturers. The Manitoba Sugar Company told us that they only gave 10¢ on orders of carlots and that the carlot must be taken by truck in one day. We continue our free trucking ex storage to jobbers without any discount of 10¢. On the other hand, if jobbers order carlots from Alberta and run out of sugar in the meantime, we will give them 100 bags ex storage and allow them the 10¢.

. . ."

(AMF 144-148)

Further comments on the situation in Winnipeg were also made in a Distribution Report of B. C. S. R. for January 1 to March 31, 1950:

". . .

Manitoba sales for the period were most disappointing. Our objective for this crop year is 6,000,000 lbs. into Manitoba. From October 1st, 1949-March 31st, 1950 we sold approximately 2,300,000 lbs.; therefore we must average better than 600,000 lbs. monthly for the period April 1st, 1950-September 30th, 1950. Every effort will be made to reach this objective. The Manitoba market is now intensely competitive. The Manitoba Sugar Company have had a hard time disposing of their cane sugar. How much they actually produced from the 10,000 tons raws they bought last year is not known, but by March 31st, 1950 they had sold approximately 17,500,000 lbs. cane refined so they should be nearly out. Their sales efforts have been intense and they have the advantage of being a local concern. The eastern refiner's representatives have also been pushing hard, particularly Canada and Dominion with Redpath. Redpath is a tough competitor in Manitoba and has come back very strongly since decontrol of distribution, particularly in Brandon and Dauphin. We continue to give a 10¢ per bag freight allowance in Winnipeg but jobbers apparently prefer the quick delivery from Fort Garry or Lakehead. Considerable eastern sugar has been trucked from Lakehead in trucks which would otherwise return empty, at considerably below the cost of railroad delivery. What measures the Manitoba Sugar Co. have taken to meet our 10¢ allowance is difficult to find out but probably they give 10¢ on truckloads of LCL amounts. . . .

. . ."

(AMF 688-700)

Later in the year, however, the objective of the sale of 6 million pounds of Alberta sugar in Manitoba appears to have been reached without difficulty according to the results indicated in a Distribution Report of B. C. S. R. for the period October to December, 1950 which contained the following:

> ". . .
>
> Again regarding total sales for 1950, it is probable that they might have been slightly larger if we had had larger stocks of Alberta sugar to distribute. Because of our small production from 1949 beets, the growers were most anxious to curtail Manitoba sales as much as possible and objected to more than 6,000,000 lbs. for that province. Due to the Eastern Refiners being too busy in the East to ship much sugar to Manitoba and the fact that the Manitoba Sugar Company were running short, there was a considerable shortage in Manitoba during August and September 1950. We helped out to a limited extent from B. C. but if Alberta had had more sugar we would have had little objection from our growers to putting 10,000,000 to 12,000,000 lbs. of Alberta sugar into Manitoba, instead of 6,000,000 lbs. and would still have supplied the same amount of B. C. sugar to that province. (The B. C. sugar was mostly ordered for Eastern Saskatchewan points and diverted as far as Winnipeg, with our consent.)
>
> . . ."

(AMF 701-714)

It will be noted from the excerpt quoted above that the B. C. sugar which reached Manitoba in this period "was mostly ordered for Eastern Saskatchewan points and diverted as far as Winnipeg, with our consent." A disinclination to make direct shipments of B. C. sugar to Manitoba is indicated in the following portion of a letter of April 12, 1951 from P. T. Rogers, President, of B. C. S. R. to T. George Wood, General Manager of C. S. F.:

> ". . .
>
> Incidentally, Gray [Sales Supervisor, C. S. F.] may have told you that Swan River is quite keen to take Alberta sugar providing they are allowed a certain amount of cane specialties <u>and</u> cane granulated. I have turned this down as I feel that if we relax in our policy in Manitoba at one point we may be forced to relax in others which would not only cost Canadian Sugar Factories more in the way of absorbed freight but also might lead to repercussions from other cane sugar suppliers in the Eastern market which would seem to me slightly undesirable as long as things continue as they are and as long as we are able to dispose of the required amount of Alberta beet sugar east of the

Saskatchewan border.

. . ."

(AMF 131A-133B)

The extension of the cane-beet differential in Manitoba in 1951 by B.C.S.R. after confirmation that such an allowance was being offered by Canada and Dominion Sugar Company is described in a memorandum of May 4, 1951 from the files of B.C S.R.

"<u>Cane/Beet Differential in Manitoba</u>

On April 30th we were advised by Mr. Ogden of Donald H. Bain Limited, Regina, that he had been contacted by Mr. Karbashinsky of K. & W. Wholesale, Melville, regarding a 10¢ beet differential at Melville. Mr. Karbashinsky said he had been advised by the Canada & Dominion Sugar Company representative in Winnipeg, Grant, Atkinson & Blair, that there was a 10¢ differential on beet sugar being offered by their principals.

We immediately contacted Donald H. Bain Limited, Winnipeg and asked them to check into this for us. They checked with Grant, Atkinson & Blair and after going into the matter it developed that the Canada & Dominion Sugar Company were offering a 10¢ differential on all beet sugar sales in the province of Manitoba but not in Saskatchewan.

Accordingly, we issued instructions to Donald H. Bain Limited, Winnipeg, to extend the 10¢ allowance in Winnipeg to all points in Manitoba except Flin Flon, The Pas and Churchill. The reason for excluding the latter points was that Alberta sugar was being sold at prices considerably under the Eastern cane prices at those points. Introduction of this differential in Manitoba, excluding Winnipeg, replaces and is not in addition to the present car allowance in Winnipeg. This was effective May 2nd, 1951.

We understand Canada & Dominion Sugar Company are retracting their offer to K. & W. Wholesale, Melville."

(AMF 130)

The new beet sugar factory at Taber came into production in the fall of 1950 and the output of Alberta beet sugar from the three C.S.F. factories was about 45 million pounds greater than in 1949 (which was a year of low production) and about 18 million pounds greater than in any previous year (see Table 12). During the first part of 1951 there were several advances in the price of refined sugar and the evidence does not indicate any special efforts on the part of B.C.S.R. or C.S.F. to avoid a carryover of Alberta beet sugar into

the crop year 1951-52. A Distribution Report of B.C.S.R. for the period July 1 to September 30, 1951 states:

> ". . .
>
> The carryover of Alberta sugar for the crop year 1950-51 will be approximately 15,000,000 lbs. as at October 6th, 1951. . . .
>
> . . ."
>
> (AMF 715-725)

The same Report also stated that sales in Manitoba for the quarter had not reached the objective of nine million pounds.

The production of beet sugar in Alberta in 1951 was almost as low as in 1949 but in the summer of 1952 a large production was anticipated from the increased acreage of sugar beets and, in fact, the actual production later turned out to be considerably greater than that expected. A memorandum from the files of B.C.S.R., dated August 21, 1952, indicates the steps decided on to promote the sale of beet sugar in Alberta and Saskatchewan. The objectives set out in the memorandum were to secure from 85 to 90 per cent of the Alberta market for beet sugar and 80 per cent of the Saskatchewan market for Alberta sugar. The following comments were made in the memorandum.

> "In order to promote fullest distribution of Alberta sugar during crop year 1952-53 (large production of 125,000,000 lbs. expected), we have decided to offer an incentive to buyers to buy Alberta sugar in preference to British Columbia cane (or Eastern cane). The first thought we had was a straight 10¢ cane-beet differential in Saskatchewan, but objections to this were raised by Mr. Wood, who said it implied that beet sugar was inferior to cane and would be objected to by the growers. The other side of that argument, of course, is that there is a differential everywhere on this continent except Alberta and Saskatchewan and the fact is that beet sugar enjoys a large freight advantage (up to over $2.00 per bag) and the consumer should expect a small part of this advantage.
>
> . . .
>
> We do not expect too much trouble getting the desired percentages in Alberta, particularly if we can secure the bigger bottlers business, and to do this we intend to offer a 10¢ discount on beet sugar to bottlers only in Alberta. We hope this will swing Coca-Cola and others to Alberta sugar. Also in Alberta we should consider providing specialties in conjunction with Alberta cars at all points, as we do in Saskatchewan. We allow this privilege to nearly all Alberta points now, with a few exceptions, some of

which are quite outdated.

In Saskatchewan we will have difficulty reaching an 80% beet figure. There is a strong preference for cane in many sections and due to 1951-52 short crop in Alberta, we have had to supply a large proportion of Saskatchewan's requirement with cane for most of 1951-52 crop year, thereby keeping cane before the public. Our offer will be -

> Any Saskatchewan jobber who orders 80% of his sugar requirements from Alberta in any quarter, commencing with new crop sugar, will receive a 10¢ allowance on the Alberta sugar at the end of the quarter. Presumably this 10¢ will not be passed on to the retailer, which will work against increasing demand for beet at the retailer level, but it will be up to the jobber to pressure the retailer to take beet. If this doesn't work we will have to consider establishing a straight 10¢ differential, which will make beet 10¢ cheaper than cane for the retailer.
>
> In addition we will offer a 10¢ allowance on Alberta beet sugar to all Saskatchewan manufacturers.

We hope these arrangements will sell 107,000,000 lbs. of Alberta sugar in Alberta and Saskatchewan, leaving 18,000,000 lbs. We are aiming for 17,000,000 lbs. distribution in Manitoba this year."

(AMF 618-619)

The efforts of B.C.S.R. and C.S.F. to sell Alberta sugar in Manitoba are referred to in the following letter, dated September 3, 1952, from T. George Wood of C.S.F. to A. M. Robertson of B.C.S.R.

"At the conclusion of Mr. Kramer's [Treasurer of Manitoba Sugar] visit last week, the question of sugar sales in Manitoba was brought up. He estimated they would have a carry over of 30,000 bags and a production of about 330,000 bags, so that their margin for sales during the coming year would be less by about 60,000 bags.

In return I told him that if our crop materializes, we would be obliged to sell 175,000 to 200,000 bags of sugar in Manitoba. He still carries the idea that if we did not insist on selling Cane Sugar in Alberta and Saskatchewan, our needs to sell sugar in Manitoba would be much smaller.

They know of course that we are making allowances where sugar is trucked into Winnipeg, but he carried the impression that we were giving an extra differential on all sugar sold there,

which of course is not the case. He appears to have an attitude of guarded friendliness, and in fact said that all of our sugar could be sold in Manitoba if Smale and McDiarmid sat down once a month or so and mapped out their program. Regarding differential, he said that they had tried it this year but could not see that it had any material effect on sales. They were utterly opposed to increasing differentials in Manitoba and said that if forced to do so, it would be their policy to move into Saskatchewan.

. . ."

(ATH 61)

Further consideration of greater sales of Alberta sugar in Manitoba because of the larger production of beet sugar is indicated in a letter of September 15, 1952 from A. M. Robertson to A. J. Smale, Vice-President of Donald H. Bain Limited:

". . .

We think it should be possible to distribute up to 200,000 bags of Alberta sugar in Manitoba during the 1952-53 crop year if necessary because of our large expected production. We quite agree with you that to do so we must be competitive in price, but we do not think it advisable at present to alter our price downwards, as the price situation is so mixed up, particularly in Winnipeg, that any such action might get us nowhere and cost money, and might start a price cutting cycle which would be most unfortunate. Therefore, we will stick to our present 10¢ cane/beet differential for now, although, if later it appears absolutely necessary to make an adjustment to meet competition, we will not hesitate to do so.

. . .

As we discussed with you, the extra pressure must take place in Winnipeg in order to get our desired increased distribution, and in this connection would you let me know if it is your intention to have Mr. Payne and Mr. Freeman calling on the trade in Winnipeg after October 1st. If so, we should have sufficient representation in that big market, and if you personally would continue to contact the head men among our customers from time to time, I think it would impress on them the importance to us of Manitoba distribution and very materially help Messrs. Payne and Freeman.

I know we have not pushed sugar very hard in Winnipeg for the past year, as we have been short, but from now on I hope we will have to have a large slice of the market every year.

. . ."

(ASC 40-41)

In September, 1952, a wholesale grocery firm in Melville, Saskatchewan placed orders for Alberta sugar to be sold to them in Winnipeg rather than at the customary delivered price basis at Melville. As the price of sugar at Winnipeg, based on Montreal, was lower than at Melville, the net return to C. S. F. would be less than if the sugar was delivered directly to the customer at Melville. B. C. S. R. decided to accept orders at Winnipeg but when the price of eastern sugar was to be increased because of winter freight rates B. C. S. R. did not increase its prices in Saskatchewan. Notice of this decision was sent to T. George Wood of C. S. F. in a telegram prepared by A. M. Robertson on November 29, 1952 in which he said:

> ". . . Have decided not alter Saskatchewan list for time being which may discourage competition in Eastern Saskatchewan . . ."

(AMF 810A)

The following comment on the Melville situation was made in a memorandum of December 12, 1952 from the files of B. C. S. R.:

> ". . .
>
> Recently, when the Winnipeg price went up 8¢ (Dec. 1st), we did not raise the Saskatchewan price to reflect this increase. Therefore, K. & W.'s saving is reduced to 5¢, but is apparently sufficient to justify their continuing to order cars to Winnipeg.
>
> Mr. Wood was in favor of telling K. & W. we would not deliver any more cars of Alberta sugar to Winnipeg and that, if they wanted Alberta sugar, they would have to order it direct to Melville.
>
> This did not seem reasonable to me as K. & W. have their trucking arrangements set up and if they cannot get Alberta sugar in Winnipeg, they will buy Eastern sugar or Manitoba sugar, and we will lose out in every way. I therefore said that we would continue to deliver sugar to K. & W. to any destination they chose in our selling area."

(AMF 492)

Some weeks later information was given to B. C. S. R. by Donald H. Bain Limited that K. & W. Wholesale Grocers, Melville, Saskatchewan, were trucking eastern sugar from Winnipeg. The situation was the subject of the following memorandum, dated January 8, 1953, from the files of B. C. S. R.:

"Re: Melville Situation

> Bain, Regina, advises that K. & W. Wholesale, Melville, are purchasing Canada and Dominion sugar, presumably at Winnipeg,

and having it trucked to Melville. K. & W. are reluctant to talk too much about this, but have said they are getting no price concession from the Eastern refiners and their net saving laid down at Melville is 28¢ as against the Alberta price (including the bonus allowance).

Albert Smale advises that the confidential trucking rate from the head of the Lakes to Winnipeg is 78¢ per 100 lbs., as against the rail rate of $1.06, making a net difference of 28¢. Smale's opinion was that K. & W. were making their saving on the Winnipeg to Melville portion of the truck haul, but it looks as though K. & W. could be buying their sugar at the Lakehead, having it trucked to Winnipeg by special rate, and having it trucked or railed to Melville from Winnipeg at the regular rail rate.

So far K. & W. have been distributing this sugar pretty well only along the line between Melville and Brandon, but it could spread to Yorkton. Ogden is watching the situation for us closely."

(AMF 489)

Development of competitive conditions on a much wider scale was indicated in a letter of February 24, 1953 from A. M. Robertson to P. T. Rogers, then President of B. C. S. R., which contained the following:

"Effective today, February 24, I reduced sugar prices throughout our territory 15¢. This reduces our margin over the East to 10¢. Prices in Eastern Saskatchewan, made up from Winnipeg, will not be affected. This move may surprise you but if you were here I think you would agree it was the reasonable thing to do under present circumstances. As I reported recently, there is an effort being made in British Columbia to interest jobbers and manufacturers in South American refined at $7.25 landed Vancouver. As far as I can learn, no business has yet been done, but it has caused a lot of discussion among customers. . . . At first I thought of reducing prices in British Columbia only, or reducing tailings only, but after much consideration I thought the first move should be to put our margin over the East to a reasonable and justifiable amount and from there on adjust as indicated due to Eastern declines which we will follow (and which will come very soon, I think) or due to pressure of competitive sugar which might mean adjusting all grades in British Columbia only, or tailings only.

. . .

Messrs. Johnstone [B. C. S. R.] and Gray [C. S. F.] had a successful visit to Western Manitoba and I hope we can hold the

Dauphin business and get a considerable slice of the Brandon business unless price cutting gets too severe. Apparently the situation in Winnipeg at the moment is most upsetting and buyers - both jobbers and wholesalers - are all hoping for a price war. I hope things settle down before the summer volume commences. As you know, I intend to go to Manitoba in late April or May and do everything possible to get our volume up.

I am hopeful that the Melville-Yorkton situation will not prove too serious as I understand the trucking companies are not satisfied with the rate from Lakehead to Melville and are indicating an increase which would help us out. . . .

. . ."

(AMF 28-31)

4. B.C.S.R. Increases Efforts to Sell Alberta Sugar in Manitoba

At the beginning of May, 1953 B.C.S.R. made sharp reductions in its selling prices of Alberta sugar in Manitoba to secure a larger volume of sales. The general nature of the action taken at this time is described as follows in a letter of May 5, 1953 from A. M. Robertson to F.R. Taylor, General Manager of C.S.F.:

". . .

The highlight of our trip was the rather unexpected act on the part of the C.P.R. in reducing the rail rate from factories to Winnipeg and Brandon to \$1.25 from \$1.85 and \$1.61 respectively. This was a great break and simplified the carrying out of our plans in Manitoba considerably. As a matter of fact we had contacted most of our customers in Winnipeg before we received this welcome news and although the offer we made to them was based on the probability of our having to rail in a considerable proportion of the sugar for Winnipeg at \$1.85, I do not think we should change our offer for the time being now that we can move all the sugar to Winnipeg at \$1.25 both by truck and rail. Our customers expect at least 35¢ rebate on sugar out of storage and 45¢ on direct shipments and as this is by no means all our saving, we will have a margin to fight with if necessary.

The Manitoba market is still a cut-throat rat race, as it always has been. I am sure that private deals are going on all over the place although they are hard to actually pin down. However, we do know that our main competition is Eastern sugar trucked from Lakehead and landed in Winnipeg at a net cost of 28¢ under the

Winnipeg list price. Therefore I feel our offer of 35¢ and 45¢ is definitely attractive and not too liberal and unless the competition cut again below us, I think we should be successful in selling plenty of Alberta sugar in that market. I repeat the main point is that in view of our transportation saving of 60¢ to Winnipeg and 36¢ to Brandon (we pass on 25¢ in Brandon) we are still well on the right side as we are giving away much less than we are saving and still have a margin left to fight further drops if they come without lowering our normal net return. I also repeat that I am quite confident we have not been too generous in our offers to Manitoba customers as I am sure we had to hit hard to get business and distribute our surplus.

The Manitoba Sugar Company have about 200,000 bags left which they should sell as I expect they will meet our price, which they can afford to do as their freight costs are insignificant. They threaten to push into Saskatchewan, which they may do, and we will have to fight them there if and when that happens. However, the Manitoba market should require 400,000 bags May to September inclusive and our interest is in the 200,000 bags the Manitoba Sugar Company does not sell. I hope the Eastern refiners do not meet our price and that the trucking from Lakehead will be curtailed due to the railroad's insisting on sugar stored at Lakehead being forwarded by rail and not by truck. Otherwise a large increase in storage costs at Lakehead will be levied. If we can beat out the Easterners we should be OK and the Easterners may not be too keen on that market at a reduced price, particularly if imports of Cuban refined are curtailed and they are good and busy supplying their own territories in Ontario and further East.

I had a session with Messrs. Kramer and McDiarmid who were very disturbed at our actions and very critical of our mental ability. Kramer said we were making fools of ourselves giving away money unnecessarily, losing money for everybody, and that we would be a laughing stock among all Canadian businessmen by the end of the year. He also threatened everything under the sun including beating our price, shipping into Saskatchewan and Alberta, importing raw sugar and refining it thereby having enough sugar for the whole of Manitoba and Saskatchewan, getting Messrs. Neuman and Kronacher [sic] after us with their millions and great business ability and finally getting the Manitoba Beet Growers' Association to warn our growers that the B. C. Sugar Refining Company was selling them down the river by cutting prices in Manitoba to sell Alberta sugar at a low net return to enable them to push B. C. sugar into Alberta and Saskatchewan. I am explaining this fully as I expect Kramer will go after Phil Baker through his own Growers' Association. However, as you have covered the matter fully with Phil Baker and his committee, I presume we are safe there. Certainly

there is absolutely nothing in what Kramer says. Our figures show that distribution of all sugars in Alberta and Saskatchewan is running 83 1/2% beet and 12 1/2% specialties and about 4% cane granulated. We are also making every effort to cut down the 4% granulated but there are certain customers we just cannot swing. This should certainly answer any doubts in the minds of our growers. This coupled with the fact that if we do not push into Manitoba hard we would have at least a 200,000 bag carry-over could mean reduced acreage next year if we have a big crop this year - which I presume our growers would not like - and finally as our activities in Manitoba are not only costing our growers nothing, but so far show them a profit, I think Canadian Sugar Factories are certainly doing their bit as far as our growers are concerned.

. . ."

(AMF 336-338)

The reaction of Manitoba Sugar to the price reductions initiated by B. C. S. R. is indicated by the following telegram dated May 11, 1953 from R. Abras, then a Director and General Manager, and E. J. Kramer to Baron Charles Neuman de Vegvar, then a Director:

"CANADIAN SUGAR FACTORIES REDUCED MANITOBA PRICES BY REBATES THIRTY FIVE AND FORTY FIVE CENTS CARLOADS TRUCKING SAVINGS stop TO MAINTAIN SALES WE HAD TO MEET THIS COMPETITION stop ALSO DECIDED TO ESTABLISH BEET DIFFERENTIAL TEN CENTS SASKATCHEWAN AND TO PASS ON TRUCKING SAVING THERE TWENTY CENTS WHICH COSTS US TOTAL TEN CENTS COMPARED MANITOBA NET"

(AOJ 360)

The conditions under which the price reductions were made and the situation which followed were reviewed by A. M. Robertson in a memorandum prepared on May 26, 1953, a copy of which was sent to F. R. Taylor on the same day:

". . .

. . . Eastern sugar was entering the Winnipeg market at a laid down cost of 28¢ under list, being trucked from Lakehead at a rate of 78¢ versus rail rate $1.06. Manitoba were meeting this competition by 30¢ rebate (at least to some customers and varying rebates elsewhere in lesser amounts). We were allowing 20¢ on trucked sugar to manufacturers and not getting much business from them and practically none from Jobbers. This situation could carry on indefinitely if we didn't do something

drastic, which we had to do or be faced with a possible 250,000 bag carryover.

What we did is fully detailed in reports in our Manitoba Market 1952- 53 file, but shortly we offered to pass on part of our transportation savings to Manitoba which we estimated would amount to 35¢-45¢ based on the percentage trucked and railed. Later when we secured our freight deal by which we saved 60¢ on all sugar either trucked or railed, we decided to give 45¢ on everything in Winnipeg if ordered in truck or carload quantities (still holding back 15¢ of the saving). At Brandon our saving is 36¢ of which we pass on 25¢ and in Dauphin we offered 20¢ (no saving) but later arranged for Dauphin to take trucked sugar from Winnipeg and secure the 45¢.

Our primary object in all this was to knock out the Eastern sugar. We were sure Manitoba would meet us, which really was all they had to do, as in Manitoba there should be room for all their sugar, our 100,000 bags and at least 80,000 bags Eastern granulated plus 40,000 bags specialties.

However, the Manitoba Sugar, we hear, have offered 65¢ to certain customers in Winnipeg. They have offered sugar at 20¢ under our net price in Yorkton. They have sold sugar in Saskatoon, Regina and Moose Jaw at slightly under our list after deducting our 10¢ incentive bonus and very likely less some side kick back to head offices in Winnipeg. Their net in these points, as far as we can calculate, based on what truck rates we can get are:-

Yorkton - \$9.10 - \$10.30 less 5% less 68¢ truck vs. our \$10.60 less 5% less 10¢
Regina - \$8.98 - \$10.56 less 5% less \$1.05 truck vs. our \$10.76 less 5% less 10¢
Moose Jaw - \$8.90 - Price 2¢ less and truck charges higher from Winnipeg

This compares to their net in Winnipeg of approximately \$9.00 less their trucking costs from Fort Garry.

Our strength is the fact that Manitoba Sugar Company stock of sugar is limited. It appears now that we would be making a mistake to start a price war, as they must run short eventually, at which time we will enjoy increased volume at a normal price. If the situation is not as outlined here, we may have to make some adjustments in Saskatchewan to combat competition.

To sum up, we definitely started something in early May when we made our move in Manitoba. The reaction of the Manitoba Sugar Company is not unexpected, as they told me definitely that they

would ship heavily into Saskatchewan and embarrass us. However, we believe they haven't enough sugar to seriously hurt us and although it may mean we sell slightly more sugar in Manitoba and less in Saskatchewan, we should get an overall increase in volume (which we must have to cut our carryover) as I feel confident our move has cut Eastern sales in Manitoba and if we hadn't moved, our Manitoba sales would have been insignificant.

Regarding carryover, it must be remembered that if we have a full crop in 1953, the carryover is liable to be with us for at least a year, involving outside storage at a cost of at least 5¢ per bag a month plus handling in and out, a total of at least 65¢ per bag. Therefore, we had to and must make every effort to cut down the carryover."

(ATH 80A-82)

An indication of the initial efforts made by Manitoba Sugar to sell sugar in Saskatchewan is given in an inter-office memorandum dated June 15, 1953 prepared by J. S. McDiarmid, Sales Manager, Manitoba Sugar, which contained the following references to sales in Saskatchewan:

". . .

MACDONALDS CONSOLIDATED LTD. - REGINA - We have had a total of five cars from this branch and it looks like our business will continue to grow with them, particularly during the next few months. Mr. Sinclair was quite perturbed about the Yorkton situation where Yorkton retailers can buy sugar as previously noted from G. McLean Co. in Winnipeg, pay their own freight to Yorkton and pay slightly less than the Macdonalds - Yorkton selling price. Something will have to be done about this situation.

WESTERN GROCERS LIMITED - REGINA - These people have not the same volume as Macdonalds, however, we are doing a fair business with them. They are also complaining about the cheap sugar in Winnipeg.

J. M. SINCLAIR LTD. - REGINA - Mr. A. Cranston -- Mr. Cranston was quite willing to do business with us and obtained an order for their first car. Also talked to their Moose Jaw branch on the telephone. Unfortunately they had just received a car of Alberta sugar but when this stock gets worked out a little will commence doing business with us.

MACDONALDS CONSOLIDATED LTD. - SASKATOON - Everything going well here. Should develop more business as time goes on.

WESTERN GROCERS LIMITED - SASKATOON - Have had only one car from these people since we moved into Saskatchewan. Mr. Holmes slightly insistant [sic] about the fact that Macdonalds are cutting prices a little on Manitoba Sugar, however, hope that he will get over his peeve and will be ordering sugar very shortly.

THE CODVILLE CO. LTD. - SASKATOON - Approached these people for the first time and they also had just received a car of Alberta sugar, but their buyer Mr. Clark seemed quite pleased that we were in the Saskatchewan market and will be doing business with us shortly.

CAMPBELL WILSON & MILLAR - SASKATOON - Mr. G. Lawson also pleased to see us shipping in their market as they do not particularly favor having one supplier. Obtained order for their first car and expect to do fair volume with them.

. . .

GENERAL:

In May we shipped 16 cars of sugar to Saskatchewan and so far in June have shipped 10."

(AOJ 1074-1075)

The activities of Manitoba Sugar in Saskatchewan were also the subject of a memorandum dated June 16, 1953 prepared by A. M. Robertson of B. C. S. R. which contained the following:

"On June 15th Mr. Hufsmith [of Donald H. Bain Limited] telephoned me from Saskatoon advising that Manitoba sugar was still entering the Saskatoon market in fair volume. Apparently distribution of Manitoba sugar is so far limited to the Saskatoon market only and has not been offered in points such as Prince Albert, North Battleford, Melfort, etc.

In Saskatoon, Macdonalds Consolidated are filling practically all their requirements with Manitoba sugar. Western Grocers are buying some Manitoba sugar but would much prefer to buy our sugar. Campbell, Wilson and Miller has bought one car of Manitoba sugar and the Codville Company are buying a car this week. So far the only jobbers in Saskatoon who have not bought Manitoba sugar are Shelly Brothers and Federated Co-op.

As far as Mr. Hufsmith can learn, Manitoba sugar is being offered in Saskatoon at 20¢ under our net price after deducting our incentive bonus. Manitoba sugar is being offered to retailers in Saskatoon at 10¢ under Alberta sugar. I told Mr.

Hufsmith we would not make any move at present.

Today I talked to Mr. Ogden [also of Donald H. Bain Limited] in Regina, who told me that Manitoba sugar is still coming into his territory in some volume. They are only offering cotton 100's and 5 lb. paper bags to date. All jobbers in Regina are buying some Manitoba sugar. . . . Manitoba have most of the Moose Jaw business and are putting sugar into Weyburn and Yorkton.

Manitoba are offering sugar at 20¢ under our net price in Yorkton and 10¢ in other Regina territory points. . . .

I then telephoned Mr. Smale in Winnipeg. . . . I then discussed with him our position in Saskatchewan, pointing out that Manitoba were pushing hard in that area and what was his idea as to what we should do to fight them. He was aware of their price cutting. His opinion is entirely similar to ours. He says that eastern sugar has been virtually cut out of the Manitoba market as a result of our reduction on May 1st. Further, the Manitoba Sugar's supply must be limited and at the rate they are selling they should be short of sugar before too long. He considers that their efforts in Saskatchewan are a definite attempt to embarrass us and get us to lower our price to get back at us for our actions in Manitoba. He feels we should do nothing at present and let Manitoba have the business for the time being and when they run short we can step in and still gain our objective by the end of September provided, of course, eastern sugar does not re-enter the Manitoba market.

This is the gamble we must take and it appears to be logical although we must be prepared to change our plans at any time.

. . ."

(AMF 333-334)

A report to the Directors of Manitoba Sugar, dated July 16, 1953, contains the following references to the steps taken by Manitoba Sugar in Manitoba and Saskatchewan:

". . .

On May 1, Canadian Sugar Factories Limited started offering Alberta sugar in Winnipeg at discounts of 45¢ per Cwt. for carload lots and 35¢ per Cwt. for LCL. This was immediately met by us and since that time we have been able to maintain our Manitoba volume.

At the same time it was decided to offer Manitoba sugar in Saskatchewan for the first time and we were welcomed by

the buyers out there who have never been too happy being in the hands of one supplier.

In the month of May we sold 3,899 Cwt. in Saskatchewan and in June our sales were 6,677 Cwt.

The demand for beet sugar in Manitoba was further increased by the action of the Winnipeg wholesalers on June 1 when they started passing on 35¢ per Cwt. to the retail trade. In so doing they have greatly curtailed the sales of cane sugar in Manitoba other than specialties. While it has worked to our advantage in one way, it has rather upset the Eastern Saskatchewan market, since retailers in that territory can buy sugar on the Winnipeg basis plus truck rates giving them a lower cost than if they were buying their sugar from Saskatchewan wholesalers.

. . ."

(AOJ 214-231)

In September, 1953, B.C.S.R. decided to withdraw the allowance of 45 cents per hundred pounds on Alberta sugar which had been established in Winnipeg in May, 1953, but to increase the cane-beet differential to 20 cents instead of 10 cents. This action was discussed in a telephone conversation on September 14, 1953 between A. M. Robertson of B.C.S.R. and F. R. Taylor of C.S.F. The transcription of the conversation contains the following:

". . .

R: . . . We are considering on September 21st, that's next Monday, telling the trade through Bain's that effective October 1st we are cutting out that 45¢ allowance, that we've got rid of as much sugar as we wanted to and the end of the crop year there is no incentive for us to give that 45¢ anymore but we are increasing the cane/beet differential October 1st from 10¢ to 20¢. The idea being to keep out the eastern sugar. Now that will increase our net in Winnipeg market 35¢ a bag. Now the reason we are considering at the moment giving them a few days leeway is because we might get some fair business out of it which we will have to control by saying that we will only supply them with slightly better than normal requirements. In other words, we don't want any booking of sugar and also it will give the Manitoba Sugar Company time to make up their mind to follow us. In other words if we just do it bang without any warning at all I think there might be a few days lag there that might cause us a little trouble.

. . .

R: Yes, next Monday - September 21st and at that time the Bain's boys will go around and they'll just advise the trade that effective October 1st the 45¢ is finished and that we are increasing the cane-Beet differential from 10¢ to 20¢. Now that should clean that situation up if Manitoba follow.

T: Well, if Manitoba, no point why they shouldn't follow, because actually they can sell the sugar anyway.

R: Sure

T: And there would be no point in them going into Saskatchewan now because it will cost them money.

R: That's right. I hope it will clarify the whole situation.

. . ."

(AMF 427-430)

Although sales of Alberta beet sugar were substantially higher in 1953 than in 1952 there was still a large carryover when the crop of 1953 was harvested. The situation was referred to as follows in the annual report to shareholders in B. C. S. R. for the year ending September 30, 1953:

". . .

The large 1953 [1952-53] crop which was forecast in our last Report became a reality, and a rather mixed blessing, since it posed a problem in marketing. Since sugar is anything but a luxury, the volume of sales depends almost directly on the population of the area in which it is sold, and therefore in order to dispose of the large crop it was necessary first to reduce distribution on the Prairies from the Vancouver refinery, and second to increase beet sugar distribution by marketing a larger volume in Manitoba than heretofore. However, when our beet factories started operations this fall we had on hand the largest carryover of sugar in the history of the Company.

. . ."

It will be seen from Table 12 that sugar produced from the 1953 crop of sugar beets in Alberta amounted to about 25 million pounds less than in the preceding year.

In addition to the action of Manitoba Sugar in making sales in Saskatchewan, B. C. S. R. also became concerned about the possibility that Manitoba Sugar might again refine cane sugar. In a letter of June 23, 1953, A. M. Robertson of B. C. S. R. wrote to A. J. Smale, Vice-President of Donald H. Bain Limited:

"I heard a rumour this morning that our friends, the Manitoba Sugar Company, have arranged to bring in some raw cane sugar and refine it at their plant at Fort Garry. This, of course, is just a rumour and I hope is entirely untrue. I would be obliged if you could make some enquiries and if possible find out whether any raws have been arranged for by them and, if so, what arrival date is expected."

(ASC 24)

Further references to the possibility of cane sugar being refined by Manitoba Sugar and to measures which might be taken to deal with the competition of Manitoba Sugar in Saskatchewan are contained in the following letter, dated October 21, 1953, from A. M. Robertson to F. R. Taylor:

"Regarding my visit to Raymond next Wednesday and Thursday, the most pressing and important subject we will have to discuss is the competition from Manitoba sugar in Saskatchewan. I suggest we tackle this problem first thing Wednesday morning and, if possible, arrange a meeting with Phil Baker [President, Alberta Beet Growers' Association] at Lethbridge or Raymond on Wednesday afternoon. . . .

As you know, we have reliable information that the Manitoba Sugar Company are negotiating to bring in at least one cargo of cane raws at the opening of navigation next year. The quantity mentioned is 5,000 tons. In view of this development we have been expecting them to push sales of Manitoba beet sugar immediately as hard as they can throughout Manitoba and Saskatchewan in order to distribute as much of their beet sugar as possible by spring to make room for their proposed cane production. We now have proof that they are currently very active in Saskatchewan and are cutting our prices substantially by allowing customers our 10 cent incentive bonus plus an additional allowance of 20 cents. Since October 1st they have sold several cars in the Nipawin area, two cars in Prince Albert and probably several in Saskatoon, Regina, Yorkton, etc. We should have more information on the latter points this Friday.

Our tentative policy to meet this threat is twofold. First of all, we think we should attempt to discourage any importation of cane raws by Manitoba Sugar Company through their growers, hence our proposed talk with Baker. Undoubtedly the result of Manitoba Sugar Company pushing their beet sugar into points in Saskatchewan where their net return is less than in Manitoba, reacts against their growers, who in turn derive no benefit from any cane refined Manitoba Sugar Company produce. In other words, the Manitoba grower is being sacrificed to allow Manitoba Sugar Company to make money out of cane refining.

This is the same situation as would exist if The B. C. Sugar Refining Company forced Alberta sugar into Manitoba to make room for B. C. cane sugar in Alberta and Saskatchewan, which as you know we do not do. Our thought is that if we can get Phil Baker as President of the Canadian Beet Growers Association to advise the Manitoba Growers of what is probably going on, the Manitoba growers might object strenuously to cane importation and discourage Kramer from going ahead.

It seems to us that the implications of this cane movement are most serious. If they get away with it in 1954 they could quite conceivably bring in larger quantities later on and steadily push back Alberta sugar, with reduced acreage in Alberta as the probable result. They are in a favourable position to be very competitive and with the present spread in cane, they can make money on refining.

Secondly, we must adjust our prices downward in Saskatchewan to make it as unattractive and uneconomic as possible for Manitoba Sugar Company to sell in that province in any quantity. Reducing their sales by limiting their distribution to Manitoba, should leave them with enough beet sugar next spring to make them think twice before taking on another 100,000 bags of cane sugar. Also we need the Saskatchewan market for Alberta sugar unless we want a huge carryover next September, and we won't get it unless we undersell Manitoba or make it so unattractive for them that they withdraw. We realize that our growers dislike price reductions, but in this case we have little option, as our competition is underselling us and grabbing the business. Therefore, unless we become completely competitive we will lose out by having to handle a large carryover and probably reducing acreage, which would be a great deal more expensive than reducing prices in Saskatchewan to meet competition and get business.

Another idea we had was reducing our Vancouver price drastically to fully reflect the reduction in the price of raws. This would be justified (confidentially) but would cost us a lot of money and would also reduce our net return substantially on Alberta sugar throughout all Alberta as well as Saskatchewan. Therefore, it appears that the best method is to reduce Saskatchewan alone for straight competitive reasons. We will talk this all over with Mr. Baker, as I am sure it is advisable to have our growers aware of what we are doing, why we are doing it, and if possible assure ourselves of their approval.

The object of this letter is to save time next week by giving you a brief outline of our thinking. I suggest you consider this subject fully but do not discuss it with anyone except Forrest until I get there and we discuss it further."

(ATH 3-4)

In a memorandum made by A. H. Robertson under date of November 2, 1953, the following account is given of the matters discussed at Raymond:

"On October 28th at Raymond I thoroughly discussed with Mr. F. R. Taylor the problem facing us with regard to the pressure put on by the Manitoba Sugar Company to distribute their beet sugar in the province of Saskatchewan and our plans to fight back.

Manitoba Sugar Company are offering Manitoba beet sugar throughout eastern Saskatchewan at a price considerably below Alberta sugar. They are meeting our 10¢ incentive bonus with a straight 10¢ cane/beet differential and, in addition, in certain areas are giving an allowance of 20¢. We understand some other allowances are being given but are unable to find out what they are.

I explained to Mr. Taylor that our plan was to advise the Manitoba growers through the Alberta growers what was going on and that it appeared to us that the Manitoba Sugar Company were pushing out their beet sugar to uneconomic markets at the expense of their growers to make room for their proposed cane operation next summer. Mr. Taylor thoroughly agreed with this idea and promptly made an appointment for me to see Mr. Phil Baker that afternoon in Lethbridge. I then explained roughly to Mr. Taylor our plans for price adjustments in Saskatchewan to meet the competition. I told him that we were determined to make a substantial cut, as a few cents would probably be met by the Manitoba Sugar Company. Our intention is as follows:-

(1) For pricing eastern Saskatchewan points, use the Winnipeg base price minus 50¢ plus the balance of the through freight. We would arbitrarily reduce the Manitoba base price by 6¢ on November 2nd when the price changes were to be effective to represent the estimated decline in the Winnipeg price on November 15th when the 5% reduction on freight from the Lakehead to Winnipeg becomes effective. We would also reduce the price of the through freight by 5%.

(2) We would discontinue the 10¢ incentive bonus in Saskatchewan and substitute a straight 10¢ cane/beet differential.

(3) We would guarantee floor stocks in Saskatchewan against declines at any time.

Mr. Taylor quite agreed with this plan.

At 2:00 p.m. Mr. Taylor and I saw Mr. Baker. The threat to the Alberta industry, based on the possibility of the Manitoba Sugar Company receiving cane raws, was forcibly outlined to Mr.

Baker who quite saw the point. Mr. Baker agreed to contact the Manitoba growers through their President and tell them our ideas of what the Manitoba Sugar Company were doing to the Manitoba growers by pushing their beet into Saskatchewan.

. . .

That evening I had a talk with Mr. T. G. Wood, our Resident Director, and explained the matter fully to him. He quite agreed with our plans and offered to help by talking to other members of the board of the Alberta Beet Growers' Association, particularly to Mr. Jensen, and tell them that he thoroughly agrees with our plans and emphasize to them the seriousness of the Manitoba cane threat.

. . ."

(AMF 423-424)

Some reduction in sales activity in Saskatchewan by Manitoba Sugar toward the end of 1953 is indicated in the evidence. A report on the beet sugar campaign in 1953, which was in the files of Manitoba Sugar, contains the following:

". . .

Last summer sales were particularly high due partly to discounts made to the Manitoba trade who in turn passed most of these concessions on to the retail trade, plus the fact that in the last crop year we sold 30,000 Cwt. in the Saskatchewan market

Since October our Saskatchewan business has been greatly curtailed but we are endeavouring to keep contact with these buyers since, if our Manitoba business does not keep up, we will need an outlet here for any surplus we may have to clean out before 1954 production.

. . ."

(AOJ 180-204)

Reference to restricted Saskatchewan distribution also appears in a report to the Directors of Manitoba Sugar dated May 3 1954:

". . .

Although total sales for the past 12 months were 20,000 Cwt. higher than a year ago, our Manitoba sales were actually 39,000 Cwt. lower, which figure represents shipments to Saskatchewan. Manitoba sales could have been considerably higher; however our policy of selling in Saskatchewan plus

allowing rebates in Manitoba of up to 45¢ per Cwt. from May 1st to September 30th last year increased summer business to the point where we were obliged to curtail sales from about August 15th until new crop sugar was available in late September. These rebates were made to compete with offers made by Canadian Sugar Factories Limited effective May 1st, 1953.

. . . At the present time the differential on beet sugar under cane sugar in Manitoba is 20¢ per Cwt. and we are hopeful that this differential will be sufficient to move our stocks in Manitoba (plus restricted Saskatchewan distribution) before commencement of 1954 operations.

There is no indication as far as we know that the Canadian Sugar Factories Limited have any plans regarding price cutting as instituted by them May 1st last year. It is possible that they feel the present differential of 20¢ under cane sugar will move our sugar and their surplus in this market.

. . ."

(AOJ 154-179)

In the following letter to Forrest Rogers, dated April 30, 1954, A. M. Robertson describes the developments subsequent to the reduction in prices in eastern Saskatchewan in November, 1953:

"Yesterday we were notified by Bain's, Winnipeg, that effective May 3rd the Eastern refiners were reducing the price of sugar in Winnipeg by 13 cents. On checking with Leslie Palmer I found out this morning that no reduction is taking place in Montreal and on further checking we found out that the C. P. R. are reducing the freight rate from Lakehead to Winnipeg by 12 cents, from $1.07 to 95 cents, due to truck competition. This decline in Manitoba is therefore a direct reflection of freight reductions and nothing else.

We must, of course, follow the decline in Manitoba, and normally we would reduce prices by 13 cents in Saskatchewan at these points made up from Winnipeg.

For reasons of which you are aware, we reduced prices in eastern Saskatchewan drastically last November to make that market unattractive to the Manitoba Sugar Company and established for Canadian Sugar Factories considerable protection at Regina, Saskatoon, Yorkton, etc. On April 19th, 1954, when the Winnipeg price declined 8 cents to reflect the changeover from winter to summer freight rates, we did not reduce prices in Saskatchewan, thereby picking up 8 cents of the 40 cents reduction from Winnipeg base which we established last November.

As I discussed with you on the telephone this morning, I think that now we should not decline the full 13 cents in eastern Saskatchewan, but only 6 cents and thereby pick up another 7 cents. This is along the long term plan we decided on last fall, that was that we would reduce drastically at that time to regain the Saskatchewan market practically 100 percent for Alberta sugar and then slowly build up the price structure as it appeared safe to do so.

This move will result in a total recovery of 15 cents of the 40 cents we declined from the Winnipeg base price last November and will mean that Manitoba Sugar Company will now net the following amounts less at the following points than they net in Winnipeg after charging themselves 8 cents cartage in Winnipeg:-

Regina	- 51 cents
Saskatoon	- 71 cents
Yorkton	- 38 cents
Melville	- 38 cents
Weyburn	- 65 cents

Unless the Eastern refiners get very aggressive in Manitoba this summer and consequently the Manitoba Sugar Company have difficulty in selling their sugar in Manitoba, I think this is enough protection. If, however, things bust wide open in Manitoba and Manitoba sugar pushes into Saskatchewan in volume, we may have to look at the situation again. On the other hand, if things settle down even further, we may be able to pick up more of our reduction, although I think we should be cautious if the Manitoba Sugar Company are going to increase their production as they say they are going to do.

We had confirmation yesterday from Mr. McPherson of the C.P.R., Winnipeg, that effective May 13th storage charges at Lakehead will be increased 12 cents on any sugar trucked west. This increase in storage coupled with the 12 cents reduction in rail rates, should effectively spike trucking from Lakehead."

(ATH 221-222)

Manitoba Sugar continued to make sales in Saskatchewan and its activities in this territory were closely observed by B.C.S.R., particularly when there was any indication of price concessions or allowances. In a letter of January 13, 1955 to F. R. Taylor, A. M. Robertson wrote:

". . .

I have recently had conversations with Kramer and McDiarmid

both of whom are here on holiday. They confirm that they are selling Shelly Brothers Manitoba sugar in Yorkton, which sugar is being trucked from Yorkton and dropped off at points on the line between Yorkton and Saskatoon. This business appears reasonable as Shelly's are sending their trucks from Saskatoon to Yorkton and then been taking them back empty. As they can buy sugar 14¢ cheaper in Yorkton than the Saskatoon price this gives them some pay load on their return trip. Shelly Brothers are also buying Manitoba sugar in Saskatoon in direct cars from Winnipeg. I have assurance that the Manitoba Sugar Company are not allowing them any concession on the price, but apparently the Shelly brothers are very friendly with the Manitoba Sugar Company's broker in Saskatchewan and are giving him the business to help him out. . . .

. . ."

(ATH 50-51)

Activities of Manitoba Sugar in Saskatchewan were also discussed in a telephone conversation on March 11, 1955 between A. M. Robertson and H. A. Johnstone, Assistant Sales Manager, B. C. S. R. The transcription of their conversation contains the following:

"J: --things coming up here that I thought maybe you might like to think about before you get down to Winnipeg. One of them is the activities of Manitoba Sugar in Saskatchewan

R: Yes

J: Both Tommy and Glen [Saskatchewan representatives of Donald H. Bain Limited] are very disturbed about it, I think maybe Tommy may be a little bit more so in some ways, but then Tommy gets that way, but there is no doubt about it I don't think, they are putting on quite a heavy push in Saskatchewan

R: Are they cutting prices?

J: They are to this extent that as near as we can find out in the Saskatoon market it looks like they are giving a 10¢ quarterly incentive bonus to Western Grocers, but as near as we can make out it is only to Western Grocers

. . .

R: Well, Harry, it looks as though we are going to have a knock-down-drag-out talk with Manitoba

J: I think we are going to Mr. Robertson, I think we are going to have to threaten them to hit them right in the belly in Winnipeg

R: Well we will drop all the way through if they are going to be tough

J: Yes, but I think if we hit them in Winnipeg we are going to hurt them a heck of a lot worse, if we hit them in Winnipeg and make some protection in our eastern Saskatchewan market we may be able to really cripple them

R: Of course, that would be a good threat, but if they tone down in Saskatchewan, we are not going to have a hell of a lot of sugar

J: That's right

R: Well, Harry, I am glad you phoned, I'll think it over, I don't like the idea of dropping the cane/beet differential because the growers don't like that and we've got it established now and might have trouble putting it back in, but we might have to give an incentive bonus in addition

. . ."

(AMF 558-561)

Comment on the activities of Manitoba Sugar in Saskatchewan is also contained in a Distribution Report of B. C. S. R for the period January 1 to March 31, 1955:

". . .

. . . As seen in the above figures, total sales of B. C. sugars and Alberta sugars were down approximately 3% from the same period in 1954. This drop was caused by Manitoba sugar being pushed into Saskatchewan plus an easing in our sales pressure in Manitoba, both of which more than offset nice increases in British Columbia and Alberta.

. . .

. . . Shelley [sic] Brothers are buying Manitoba sugar with eastern specialties for their O. K. Economy store at Yorkton at the regular Yorkton price. For almost all their other sugar requirements (except for Western Saskatchewan) they are buying their sugar f. o. b. Yorkton at the Saskatoon net price less a freight allowance of 95¢ plus the freight from Winnipeg to Yorkton of 68¢. As can be seen, this gives them 27¢ to pay off against their trucking operation and without this operation their trucks would be returning from Yorkton empty. This plan is therefore extremely attractive to Shelly Brothers and they are utilizing it to supply all their stores and customers from

Saskatoon eastward with Manitoba sugar, and in some cases eastern specialties. What is more, we are almost helpless to combat this irregular action on the part of Manitoba Sugar Company because the crux of the whole matter is the freight allowance which would not be affected by any price changes we might put in. Our only hope for correcting this situation would be to convince Manitoba Sugar Company of the fundamental error of their actions in relation to the basic pricing policy used for arriving at sugar prices in the prairies.

. . .

At the end of the quarter the position of Manitoba sugar in Saskatchewan was as follows: In the Regina territory, Western Grocers' branches are all taking some Manitoba sugar. Macdonalds Consolidated, Regina, are still taking about two cars of Manitoba in three weeks. Most other jobbers in the Regina territory are giving us good support.

In the Saskatoon territory, Western Grocers, Saskatoon and Prince Albert, are taking in a small amount of Manitoba. Campbell, Wilson and Millar are bringing in a good share of their requirements from Manitoba and, of course, Shelly Brothers are using almost all Manitoba sugar from Saskatoon east to the border. Other jobbers in Saskatoon, except for Saskatchewan Federated Co-Op., are also bringing in small quantities of Manitoba.

. . ."

(AMF 752-765)

As will be described later, on April 13, 1955 B. C. S. R. acquired by purchase of shares a substantial interest in Manitoba Sugar. Even while B. C. S. R. was proceeding with its acquisition of shares in Manitoba Sugar, the Sales Manager of the latter was reported to be making price concessions in Saskatchewan, as indicated in the following portion of a letter of April 22, 1955 from A. M. Robertson to Forrest Rogers:

". . .

The last bit of news is that Kramer tells me Jack McDermott [McDiarmid] is offering a 10¢ per bag cutback in Saskatchewan. To me, this is about the most unnecessary move imaginable and, as far as I am concerned, completely underhand, for reasons you know. . . .

. . ."

(AMF 589-591)

Later in the month, A. M. Robertson took steps to try to prevent any further price reductions by Manitoba Sugar. Writing to Forrest Rogers on April 26, 1955, A. M. Robertson said:

> ". . .
>
> . . . I then asked Sir Charles to tell McDermott [McDiarmid] about our recent purchases and also to tell him that we would not like any disruption of the Saskatchewan market in the way of price cutting or special allowances between now and July. . . .
>
> . . ."

(AMF 598-601)

Some further details of the sales policies of Manitoba Sugar, prior to the acquisition of a share interest by B. C. S. R., are given in that part of the return of information made by Manitoba Sugar to the Director of Investigation and Research dealing with special discounts:

> ". . .
>
> Special discounts as follows were given:-
>
> <u>December 1, 1949 to March 31, 1950</u>
>
> Discounts of 10 to 15 cents were made to all customers on off-color cane sugar. . . .
>
> <u>April 1, 1950 to March 31, 1951</u>
>
> During this period a 10 cents per Cwt. carload allowance was given to all Wholesalers, Manufacturers and Department Stores.
>
> <u>April 1, 1951 to March 31, 1952</u>
>
> Same discounts as for previous fiscal year. One special allowance to meet competition from trucked sugar from Lakehead of 10 cents per Cwt. given.
>
> <u>April 1, 1952 to March 31, 1953</u>
>
> Special discounts 5 and 10 cents given to two Wholesalers to meet trucked sugar competition.
>
> A five cent allowance on paper 100's given to three Manufacturers.
>
> Four Manufacturers received discounts of 20 cents on hard

and lumpy sugar.

Three Manufacturers got 10 cents per Cwt. storage allowance where plant storage was limited.

April 1, 1953 to March 31, 1954

Discounts of 35 cents for less than carload lots and 45 cents for carload lots given to all Manitoba Manufacturers, Wholesalers and Department Stores to meet competition.

In Saskatchewan 20 cents per Cwt. given to all Wholesalers to stimulate sales in that Province. . . .

April 1, 1954 to March 31, 1955

Discounts as follows given in Manitoba and Saskatchewan:

10 cents to four major Wholesalers and four major Manufacturers on carload shipments.

15 cent discount to clear stocks of medium sugar given to one Wholesaler.

April 1, 1955 to October 31, 1955

A 10 cent discount given to four Wholesalers for contracted purchases of sugar.

A 10 cent discount given to two Manufacturers to meet trucked sugar competition.

From April 1, 1950 to September 30, 1952 Coca-Cola Co. of Winnipeg received a 10 cent per Cwt. discount for annual contracted quantities.

From October 1, 1952 to October 31, 1955 this discount was 15 cents.

. . ."

At the beginning of 1955 discussions were held between Manitoba Sugar and B. C. S. R. about a possible arrangement whereby the latter would supply the former with specialty sugars to be sold with beet sugar. As specialty sugars are not usually available in beet sugar the addition of cane specialties enables a beet sugar refinery to offer a complete line of sugars to its customers. The following reference to the discussions with Manitoba Sugar is contained in a Distribution Report of B. C. S. R. for the period January 1 to March 31, 1955:

". . .

Manitoba Sugar Company have approached us to sell them specialty sugars in Winnipeg for sale with their sugar in Manitoba. At the present time they are purchasing limited quantities of eastern specialties from one of the Winnipeg wholesale houses, and we presume they are paying the list price less part of the jobbers' discount but only for sale to customers outside Winnipeg. The eastern refiners apparently will not sell to them and they indicated that if we could not help them they were considering installing the necessary equipment to make their own specialties. There are several advantages for us in selling them B. C. specialties:

1. It could result in curtailing eastern sugar in that market.

2. It would deter Manitoba Sugar Company from making their own specialties which we do not want, and

3. Would increase our annual volume and give larger melts with the obvious advantages attendant to that.

. . .

We then discussed the matter again with Manitoba Sugar Company and provided we were able to obtain the rate we were after, we said that we would be prepared to sell them our specialty sugars, for sale in Manitoba only, at the regular net list price less 10¢ to cover part of their handling costs. That was agreeable with them and they are prepared to go ahead whenever we are ready. We now have an application before the railways for a rate to Winnipeg of $1.80 (based on our $1.80 syrup rate to Winnipeg). If we can get this rate we should be able to go ahead.

. . ."

(AMF 752-765)

In a letter to the Director of Investigation and Research on July 15, 1955, the following additional information was given by B. C. S. R.:

". . .

. . . Early this year we made application to the railroads for a substantial reduction in the freight rate on sugar - Vancouver to Winnipeg - and were successful in our application. As a result we have been able to sell The Manitoba Sugar Company Limited their specialty requirements and to date this year have shipped them four carloads of 60,000 pounds each, or a total of 240,000 pounds. These orders are sent direct to us by The Manitoba

Sugar Company Limited and the orders are not handled by any agent. I might say that these arrangements were discussed in January of this year and finalized before this Company owned any shares of The Manitoba Sugar Company Limited.

. . ."

In July, 1955, B. C. S. R. entered into a management contract for the management of Manitoba Sugar. The pricing policy subsequently established for Manitoba Sugar was described by A. M. Robertson in evidence as follows:

". . . when we received our management contract in July of 1955 we found that the Manitoba Sugar Company had several secret discounts to favoured customers which were not being given to others. These were mostly on a contract basis. At that time there was a 10-cent cane-beet differential. In other words, the beet sugar sold ten cents under the cane sugar.

In addition to that, they were giving these special deals to special customers. The last contract on the special deals expired at the end of October, 1955. We could not do anything about it in the meantime, because it was on contract. But on November 1, 1955, we cancelled every special deal that Manitoba had and, at the same time, increased the cane-beet differential from ten cents to twenty cents, so that everybody came into the discount, rather than just a favoured few."

(Hearing, pp. 228-229)

There was a general change in freight rates shortly before B. C. S. R. purchased shares of Manitoba Sugar. The following references to the new freight structure are contained in the Distribution Report of B. C. S. R. for the first quarter of 1955:

". . .

On March 1st, 1955, the long awaited equalized freight rate structure was put into effect by the railways. . . . The net effect of this equalization was to reduce prices in Alberta, Saskatchewan and Manitoba, which resulted in a drop in net return to Canadian Sugar Factories because the bulk of sugar shipped by Canadian Sugar Factories moves under special commodity rates which were not reduced. In an effort to avoid this loss we began a complete investigation into the question of operating our own trucks and hauling sugar ourselves from the three factories to the storage points and some of the other larger centers in Alberta and Saskatchewan. Our investigations gave us every reason to believe that we could haul sugar in our own trucks for considerably less than the special commodity

rates quoted by the railways. . . . On March 15th we made an application to the Canadian Pacific Railway for reduction in the rates and minimums to a number of points in the prairies. . . .

. . .

On March 1st the new equalized rail rates became effective. In Alberta prices reduced from 15¢ to 30¢. The outstanding change in Alberta was at Edmonton where the price reduced by 1¢ as compared with a 17¢ drop at Calgary. This was caused by the fact that Edmonton is no longer based on a commodity rate but on a class rate. At all points in Alberta, except Edmonton, we adjusted our formula upwards by 5¢ to maintain a lesser drop in net return to Canadian Sugar Factories Limited.

In Saskatchewan a number of changes took place in the making up of prices, both from Winnipeg and from Vancouver. For prices made up from Winnipeg, we changed the formula from Winnipeg plus balance of through freight minus 25¢ to Winnipeg plus balance of through freight minus 20¢. On prices made up from Vancouver we changed the formula from Vancouver plus freight to Vancouver plus freight plus 10¢. In the Regina price at this time we put in a plus 3¢ grading. This all resulted in our being able to reduce the grading at Saskatoon from minus 23¢ to minus 13¢ and we were able to use this 10¢ reduction in grading to remove or reduce to not more than 3 - 4¢ the grading at almost all points in Saskatchewan where it had been necessary to grade as a result of various price changes over the last two or three years.

. . ."

(AMF 752-765)

From information furnished to the Commission by B. C. S. R. it appears that reductions in railway freight rates from Alberta sugar factories to a number of points in the Prairie Provinces were put into effect.

CHAPTER VI

ACQUISITION OF INTEREST IN MANITOBA SUGAR BY B.C.S.R.

The actions taken by B.C.S.R. to secure a share interest in Manitoba Sugar in 1955 followed a period of active competition in the Manitoba and Saskatchewan markets. As has already been described there had been a period of active competition prior to the war and at that time B.C.S.R. had given consideration to the possibility of establishing a sugar factory in Manitoba as a joint undertaking with Canada and Dominion Sugar Company. In a letter of November 6, 1939 to C. H. Houson, then President of Canada and Dominion Sugar Company, P. T. Rogers wrote:

> "This will confirm today's telephone conversation with you, regarding the present situation in Manitoba. I think I am still of the opinion that we should do something in the way of a joint offer to build a plant in this territory, providing the Federal Government are unwilling to pass an Order prohibiting the expansion of the Beet Sugar industry during the present control period.
>
> . . .
>
> . . . I am at present rather strong on the idea of our companies entering the field and cleaning up for some time to come the chance of competition in our most vulnerable territory.
> . . .
>
> . . ."

(AMF 274-276)

Mr. Rogers repeated his suggestion in a letter to Mr. Houson on December 12, 1939. The latter replied, as follows, in a letter dated December 14, 1939:

> ". . .
>
> We do not believe they have anything like the money they need and it looks to us as though they are going ahead on a 'shoe-string'.
>
> We think the proper course for us to take is to sit on the side-lines, for the present. We are watching the matter as

closely as we possibly can and if we hear anything of interest will notify you.

. . ."

(AMF 271A)

Nothing appears to have come of Mr. Rogers' suggestion and the sugar factory was built subsequently by an independent company.

After the war when P. T. Rogers had occasion to consider the position of Manitoba Sugar he expressed the view that he did not think that B.C.S.R. would be interested in its purchase. He wrote as follows on January 6, 1948 to C. F. W. Burns of Burns, Denton & Company, Toronto:

"I have given considerable thought to your telephone conversation of last Friday and the only conclusion that I can come to is that the venture at the present time is in such a condition as to make it a very hazardous sort of speculation.

As you know, the factory first went into production shortly after the beginning of the war and since then has experienced rising sugar prices and in addition has had the benefit of subsidies to farmers and a completely protected market insofar as no other sugars were allowed by the Sugar Administration in that market during the war years and up to the present time.

However, despite these very obvious advantages there have been continued setbacks from an agricultural point of view and although the balance sheet indicates good earnings during the past years, I am afraid that the agricultural position is such that it may be very difficult to get sufficient acreage to operate the plant efficiently, particularly when you take into account that sugar control will shortly be off in Canada which will mean free competition in the Province of Manitoba, and in addition there has been a consistent decline in the world price of raw sugars so that the price of refined in all likelihood will decline during the next year.

Beet farmers in Manitoba had an extremely unhappy experience with their crop this year and to my mind, particularly taking into account the higher price for coarse grains, it may be very difficult to contract even last year's small acreage.

You will understand, of course, that a beet contract calls for considerable investment in labour and preparation per acre and if the crop is lost or does not come up to expectations the farmer may find himself very considerably in the hole - whereas

with coarse grain the cost of land preparation and seeding is very low and labour cost with present mechanical equipment is practically non-existent so even with a poor return some earning is made per acre and a great many agricultural worries are avoided - all of which to my mind will tend to make contracting in Manitoba very difficult this coming spring.

Admittedly the factory itself is an up-to-date one but with the very limited supply of raw material it is about as good as having a very up-to-date sawmill at the North Pole with no timber available to it.

I do not know what earnings will result from this year's operations but I should imagine they will not be large considering the very small output of sugar and as you can understand with any industry of this sort a reasonable volume is absolutely necessary to cut down the overhead and other uncontrollable expenses. Even a small decline from present acreage could result in very considerable losses and as I think it would require probably years to build up the agricultural picture there I cannot see the investment as an attractive one even to people who are experienced in the beet sugar business.

I appreciated the fact that you got in touch with us regarding the company but even the most favourable terms of purchase at this time would seem to me very hazardous and I do not think we would be interested.

. . ."

(ATH 97-98)

Steps to explore the possibility of securing control of Manitoba Sugar were taken by B.C.S.R. in 1954. In the following memorandum, dated July 2, 1954, A. M. Robertson reviewed discussions held in Winnipeg at the end of June:

"<u>MANITOBA SUGAR COMPANY</u>

There is no need to enlarge on the advantages to us in owning or controlling the Manitoba Sugar Company.

At July 1st, 1954, their capitalization was:-

Funded Debt	$ 240,000.00
Preferred 6% Callable at $105.00 Div. arrears $6.00	$1,500,000.00 (15,000 shares)
Common	34,000 Shares
Earned surplus	$1,219,822.00
Plus contingency reserve	250,000.00
	$1,469,822.00
Book value of Common	$43.23

Recent net earnings after depreciation and tax -

Year end March 31/52 -	$ 306,000.00
March 31/53 -	245,000.00
March 31/54 -	223,000.00

Working capital position relatively strong, position with current assets three times current liabilities.

When A. M. Robertson was in Winnipeg on June 22nd he asked Mr. Kramer [E. J. Kramer, then a Director, Treasurer and Assistant Secretary of Manitoba Sugar] if Mr. Arkens' [sic - G. H. Aikins, formerly a Director and President of Manitoba Sugar] death had made any change in the control of Manitoba Sugar Company. Mr. Kramer said not yet. The discussion of four years ago was mentioned when Kramer approached A. M. Robertson and P. T. Rogers saying control could be bought at that time. A. M. Robertson suggested to Kramer that if sale of any shares was in the wind, we be advised, as we might be interested in getting control or preferably complete ownership. Kramer agreed. Kronacher [sic] and Neuman were in Winnipeg at the time.

On June 28th Kramer phoned A. M. Robertson and afterwards talked to Forrest Rogers. He advised that there was a possibility that the shares held by the Winnipeg group might be for sale, as he heard that they had been offered in the East at $47.00 and could we come to Winnipeg and follow up the matter. We agreed to go that afternoon.

<u>NOTE</u> - It is rather a coincidence that on June 22nd Kramer knew nothing of any sales. Neuman and Kronacher were in Winnipeg. On June 28th, Kramer knows all about available shares. It could be (although not necessarily) that Neuman and Kronacher would like The British Columbia Sugar Refining

Company, Limited, to have a minority interest (say 40%) in which case B.C.S.R. would not willingly hurt Manitoba Sugar due to their financial interest. Therefore, Manitoba Sugar Company would have protection and business does not look too good.

On June 29th in Winnipeg, Forrest Rogers and A. M. Robertson met Kramer and discussed the matter at length. Kramer is most anxious (he says) that if control is to pass to anyone it should be B.C.S.R., as he thinks his job would be safer with us.

Present share holdings are approximately as follows:-

Aikens [sic] estate	5, 700	(Geo. Sellers, Fed. Grain, (Conrad Riley Jr., Can. Fire (Ins., Pete Mulholland
Safeway	4, 100	(McCann - J. McAulay [sic]
Harry Sellers	1, 600	
M. H. Penner	400	
A. S. Leach	2, 200	(Serle [sic] Grain
	14, 000	
Burns and Co., Toronto	1, 300	
Brintcan Co., Montreal	1, 300	(Bronfman
Miscellaneous	200	
	16, 800	
Kronacher [sic]	4, 000	
Neuman	13, 200	
	34, 000	Shares

Kramer said that Kronacker's and Neuman's shares were not for sale definitely. He thought we could buy the 14, 000 shares held in Winnipeg as that group would not sell to Kronacher or Neuman, but had offered their shares to Gairdner and Geo. Weston in the east. He said these shares were pooled and the Arkens estate, handled by McAulay had to liquidate for succession duties. McAulay also acts for Safeway. The Winnipeg group, Kramer said, might sell, which would give us 14, 000 shares (40%) and we should approach them. He repeated over and over that Kronacher and Neuman would not sell. We said that a minority interest was not interesting to us, but Kramer said we must get our foot in the door and that eventually we would probably get Kronacher's or Neuman's shares to give us control. If not, we would never lose, as the shares were worth $50.00. Later we found out that the two beneficiaries of Arkens' estate were away, as was McAulay

and we didn't care to see McCann for various reasons. However, we did see Leach, who was very active in Manitoba Sugar Company once, his father having been one of the original group and Sy Leach (the son) having been a director. We told him our story, saying we were interested in the Company to round out our beet operations in the prairies and had no interest in closing it down, but wanted to develop it but needed to have control.

Mr. Leach told us that something was going on but that he had rather keep out of it. He did tell us, however, that Kronacher's stock is in the Winnipeg pool which would increase that holding to 18,000 shares or over 50%. He will approach the other members of the Winnipeg group and tell them that we are interested. He will attempt to get us an offering of over 50% of the stock but in any event will let us know what stock is offering and at what price.

At $50.00 the shares are a buy for us, although not necessarily for anyone else. $50.00 per share represents $1,700,000.00 which added to $240,000.00 deb. and $1,500,000.00 Preferred, gives a sum of $3,440,000.00 for the plant, equipment and a $1,469,000.00 surplus. However, it is hard to see the advisability of buying 40% with Kronacher and Neuman holding over 50%. They would be in a strong position and we could do little, but would not want to hurt the Manitoba Sugar Company. A very nice position for Kronacher and Neuman. However, with the Winnipeg 14,000 shares plus 4,000 Kronacher shares, our position would be strong and eventually we might get Neuman's stock. We should be able to get the 1,300 Bronfman and 1,300 Burns shares over a period."

(AMF 563-565)

On November 22, 1954, Forrest Rogers made the following memorandum about shareholdings in Manitoba Sugar:

"Memo: re Manitoba Sugar Company

Mr. Robertson called me from Winnipeg on Sunday night after having spent most of the day talking to Mr. Kramer.

The main points brought out were:

1. The pooling agreement which was drawn up by Aikens [sic] remains in force until 1956, and one of the clauses of the agreement is that no member will sell his shares to anyone outside the agreement.

2. Kronacher [sic] is a member of the pool.

3. MacAulay is reported to be endeavouring to get members of the pool to give him options at $58.80/share. It appears he may be acting on behalf of Kronacher who is very anxious to have control and envisages an expanded cane-beet operation with the completion of the St. Lawrence seaway.

4. Kronacher and Neuman are at 'outs' according to Kramer, and it is expected that there will be a lot of trouble at their next directors' meeting on December 4 (not sure of exact date).

5. Neuman is not a member of the pool and Kramer thinks he might be glad to sell to us now.

6. Suggested that if we could get Neuman's stock and then take on [sic] option on the Aikens stock at $60 for delivery in 1956 we would then have control, and the other Canadian members of the group would most likely be willing to sell at the same price.

7. A.M.R. is to see Mr. Leach and Mr. Sellers (Jr. and Sr.) today and see if he can find out anything further.

F. R.

November 22, 1954

FR:DH

Mr. Robertson phoned me again this afternoon, after having talked with Mr. Leach. Mr. Leach confirmed that there definitely seems to be an effort being made to corral a controlling interest, but he would not mention the price offered, as this is confidential. However, it seems apparent that Kronacher is behind this attempt. A further point came up in that under the pooling arrangement the members are not even allowed to give options to outside parties until 1956. Therefore, it would appear that Neuman's stock is the only stock that could in any way be purchased at the present time."

(AMF 567)

What appears to be a memorandum relating to the same discussions was prepared by A. M. Robertson under date of November 26, 1954. This reads, in part, as follows:

". . .

Pooling Agreement:

In 1951 Colonel Aikens [sic] drew up a pooling agreement

which was entered into by

Aikens	5, 700 shares
Safeway	4, 100
Sellers	1, 600
M. M. Penner	400
Kronacher [sic]	4, 000
Total	15, 800 shares

The other Winnipeg director, Mr. Leach, with 2, 200 shares refused to be a party to the pooling arrangements. He has since died and his son has inherited the stock, and although his stock is not in the pool, he has told the members of the pool that he will go with them and do whatever they do. The provisions of this pool are briefly as follows:

For a five-year period ending April 1, 1956 no member of the pool is allowed to sell his shares without first offering them to the other members of the pool at a price based on the book value of the shares plus 30%. If any member of the pool offers the other members his stock for a period of ninety days and it is not taken up it can be sold to an outsider. The present price as set up by the pool would show the value of the shares including the 30% mark-up of $52.80.

The shares of Manitoba Sugar Company are held as follows:

Baron Von Neuman	13, 200)	60.6%	Shares
Baron Kronacher	4, 000)		
Burns & Co. Toronto	1, 300		
Brintcan	1, 300		
Miscellaneous	200		
Aikens Estate	5, 700)	Winnipeg group	
Safeway	4, 100)		
Harry Sellers	1, 600)		
M. M. Penner	400)		
Leach	2, 200		
	34, 000	Shares	

I understand from Kramer that Colonel Aikens formed the pooling agreement in 1951 to prevent Neuman from getting too much stock. Neuman got 6, 000 shares of stock as bonus for the money he originally put into the company. From the commencement of the company up to 1951 Neuman had bought another 7, 000 shares, paying as high as $40 per share for the last lot. By this time Neuman and Aikens were quarelling [sic] very seriously and Aikens formed the pooling agreement to make it impossible

for Neuman to buy any of the Winnipeg stock (excepting Leach) until at least 1956. By 1951 Neuman and Kronacher were also fighting and it appears to me that Kronacher joined the pooling group with the idea that eventually he might be able to get control by purchase of the Winnipeg stock and be in a senior position to Neuman.

Early this fall Mr. McAulay [sic - J. A. MacAulay] (the executor of the Aikens estate and Vice-President of Safeway) went to New York, and according to Kramer, had a . . . meeting with Mr. Kronacher - since that time Kramer says that McAulay has intimated to the Winnipeg group that he would be willing to pay up to $58.80 per share for any pooled stock which is for sale. This price is based on the $52.80 indicated by the last balance sheet, plus $6.00 which will represent the addition of surplus from this year's earnings which are estimated at a minimum of $250, 000. To enlarge on the way the price is made up the following figures are of interest:

Surplus at March 31, 1954	$1, 220, 000
Special reserve	250, 000
	1, 470, 000
Less preferred arrears	90, 000
	1, 380, 000
Plus 30%	414, 000
	$1, 794, 000
	$ 52.80 per share
Minimum net earnings for year ending March 31, 1955	250, 000
Less preferred dividend	90, 000
	160, 000
Plus 30%	48, 000
	$208, 000
Approximately	6 per share

Kramer is quite sure that McAulay is acting for Kronacher and if he is successful and gets 14, 000 shares for Kronacher from the Winnipeg group it will give Kronacher 18, 000 shares - or over 50% of the 34, 000 shares. In order to make this more difficult Kramer suggested that we contact Mr. Mulholland, the other executor of the Aikens estate, and tell him that we are interested in buying control of the Manitoba Sugar Company and that we would probably pay as much or more than anybody else when the pooling agreement allows the shares to be sold -- this sounds reasonably reasonable.

Kramer gave me the following information:

Baron Neuman is very conservative, quite old and not very aggressive - and would probably be quite content for the Manitoba Sugar Company to produce forty million pounds of sugar per year and make a reasonable profit. This would not be any danger to us.

Baron Kronacher on the other hand is very ambitious, aggressive and is very keen to increase his investments in Canada. If he got control Kramer thinks Kronacher would do everything possible to increase their production, that he has mentioned several times that when the St. Lawrence seaway opens up they will be in a position to refine cane sugar as well as produce beet sugar and that with their position in Manitoba they could push their sugar right into Saskatchewan and possibly even into Alberta - which would be very serious for us. It therefore appears obvious that we should make every effort to get control before Kronacher.

The directors of Manitoba Sugar Company are meeting between December 4 and December 11 - Kramer thinks that there will be a fight between Kronacher and Neuman . . . If this happens it is possible that Neuman will get very fed up and, if so, I authorized Kramer to mention to Neuman that the Rogers' interests were interested in buying control of the Manitoba Sugar Company, Kramer thinks that if Neuman is sufficiently fed up he might want to see us and discuss his 13,000 shares. If it happens that we could get an option on his shares at a good price exercisable say thirty days after the pooling agreement expires on April 1, 1956, we could then work on the Winnipeg group, on Burns & Company, on the Bronfmans and on the other shareholders to tie up the controlling interest.

The next day I went to see Mr. Leach of the Searle Grain Company. Mr. Leach confirmed that McAulay and Mulholland are the sole executors of the Aikens estate. He said that McAulay was the kingpin and Mulholland, being the son-in-law, was merely a watchdog. He confirmed the pooling arrangement but did not give particulars of the way in which the price is arrived at. He said that the pool members had definitely been approached recently to find out whether they were interested in selling and as it could only be a pool member buying he felt that it was Kronacher - in fact I am sure he was sure it was Kronacher. He said the Winnipeg group did not want to sell to Kronacher, but money talked and maybe some of them might sell if the price was high enough. He said that no pool member could give an option on his stock, could pledge the stock or sell the stock until 1956, but he said it might be possible to have a gentlemen's agreement with the pool members on the sale of

their stock after April 1, 1956. He then asked for assurance that BCSR did not want to buy Manitoba Sugar Company merely to close it down. I enlarged on this point at some length, and I am sure convinced him that we had no such intention. I told him that we were most anxious to get control of the company and any help he could give us in that regard would be much appreciated.

. . .

Leach is going to talk to McAulay at the first opportunity and tell him of our interest - mentioning the BCSR by name - and the fact that we are prepared to pay a very good price for the shares if we can get control. He thought this might spike Kronacher's chances of getting the Winnipeg stock, . . . Mr. Leach then said that he would suggest to Mr. McAulay that if there are ructions at the directors meeting in early December McAulay might approach Neuman and tell him of our interest with the idea of tying up Neuman's stock for us.

. . .

The situation therefore is that if the opportunity presents itself Kramer and most likely McAulay will both speak to Neuman about our interest in the shares. Kramer thinks that Neuman will find out about Kronacher's attempt to buy the Winnipeg stock and therefore gain control and will probably get very angry and be prepared to do anything to spike Kronacher's chances. If this happens it could be ripe for a proposition. In the meantime we will contact Mr. Mulholland in Montreal, who we know personally, and try to get him on our side."

(ATH 115-118)

According to the evidence of J. A. MacAulay, Q.C., during the latter part of 1948 and 1949 Baron Neuman, who was apparently the largest single shareholder in Manitoba Sugar, was interested in acquiring sufficient additional shares to obtain voting control of Manitoba Sugar and purchased the shares held by two directors of the company (Hearing, p. 635). In 1951, a pooling agreement was entered into among those referred to in the evidence as the "Winnipeg group". The following excerpts from the evidence of Mr. MacAulay indicate the general nature of the pooling agreement:

". . . There was a pooling agreement between members of the Winnipeg group, and that pooling agreement was entered into in 1951. There had been previously a voting trust in the early stages of the company. The voting trust expired, and there was some attempt to renew the voting trust. Some of the shareholders were not in favour of a voting trust, and so the

result of the conversations was that there was a pooling agreement, pursuant to the terms of which no member of the pool would be allowed to sell his shares without first offering them to the other members of the group."

(Hearing, p. 606)

". . . This pooling agreement was executed in counterparts. In other words, these shareholders were scattered. It was difficult to send one document around and to have it signed by all the parties. And so it was executed in counterparts; and the earliest counterpart was dated in April, 1951, the latest counterpart being dated in June - June 26, 1951. The pooling agreement was for a period of five years, and I took the position that, although it was executed in counterparts, it was all one document, and the expiry date would be five years from the date of the execution of the last counterpart. In other words, I took the position that this pooling agreement would not expire until June 26, 1956."

(Hearing, p. 612)

"As each shareholder died, the other members of the Winnipeg group had to be very astute in obtaining his shares, so that control would not pass to Baron Neuman. Shares were purchased by the Winnipeg group at prices considerably in excess of what was believed to be their value at that time.

Now, I might say, that as each purchase was made Kronacker, being a member of the Winnipeg group, was allowed to take his proportion of the price paid, if he wished. Kronacker was always considered a member of the group. He was a member of the voting trust in the first instance, and he was a party to the later pooling agreement. Baron Neuman was not a party to the pooling agreement."

(Hearing, p. 643)

". . . All Winnipeg shareholders were parties to the agreement with the exception of the Leach interests. . . ."

(Hearing, p. 645)

Mr. MacAulay stated in evidence that about February, 1954 the shares held by the Leach interests, a total of 2, 167 shares, were offered for sale. In regard to these shares Mr. MacAulay said:

". . . An arrangement was made -- and, by the way, I hurried back from the maritime provinces, I might say, and we got Mr. Leach to give us an extra two or three days. An arrangement

was made by certain members of the Winnipeg group to have the Leach shares purchased for their benefit, thus preventing control passing to Neuman. Since members of the pooling agreement were not entitled to deal with other than signatories, and since there was a difference of opinion as to whether or not signatories could deal without the consent of all the signatories, negotiations for sale to Kronacker were opened. He was a signatory to the pooling agreement, and Neuman was not."

(Hearing, p. 653)

In regard to the management of Manitoba Sugar at this period, Mr. MacAulay testified:

"From June, 1952 until the purchase by the B.C. Sugar Refining Company of the Neuman shares, the company was run according to the dictates of Kronacker and Neuman. I doubt if Baron Neuman was here during the whole period but, according to my information, his son attended each directors' meeting. Kronacker attended one or possibly two meetings a year. Sir Charles Tupper was the president of the company. He did not represent any shares but was rather a nominee of Kronacker and Neuman. Abras and Kramer had the responsibility of running the affairs of the company, Abras having been appointed on the recommendation of Kronacker in the first instance, and Kramer on the recommendation of Neuman."

(Hearing, p. 650)

Mr. MacAulay said that there were discussions beginning in the summer of 1954 with Baron Kronacker about the sale of shares held by the Winnipeg group. The reason for the discussions Mr. MacAulay explained as follows:

"So we were sitting in this position, that Kronacker and Neuman were voting their stock together, and Kronacker could sell to Neuman, or Neuman could sell to Kronacker; and I just would not want to be a Winnipeg shareholder in those circumstances. We would be a minority group, and they would go on, not paying any dividends. And it was that prospect, it was that hazard, that induced us to discuss the sale with Kronacker."

(Hearing, p. 654)

Further efforts of B.C.S.R. to secure control of Manitoba Sugar are described in a memorandum prepared by A. M. Robertson on March 17, 1955, covering discussions in Winnipeg on March 15 and 16:

"MEMORANDUM

WINNIPEG - MARCH 15 and 16, 1955

RE: MANITOBA SUGAR COMPANY SHARE PURCHASE

On Tuesday morning, March 15th, I went to see Mr. John McAulay [sic] of the law firm Aikens [sic] and McAulay [sic].

Mr. McAulay is a joint executor with Pete Mulholland of the Aikens estate (5700 shares) and is Vice-President of Canada Safeway (4100 shares). Mr. McAulay called in Mr. Dickson, who is a son-in-law of Mr. Sellers (1600 shares), being married to George Sellers' sister. He has been active in handling the Aikens estate representing Mr. McAulay.

I took a very strong line with them as I thought the time had come for us to stop beating around the bush and really try and get something going. I opened by giving them a description of the operations of B. C. S. R., the purchase of the Raymond factory in 1931, the subsequent expansion of C. S. F. to three factories, and the increasing importance of the Manitoba market to C. S. F. I then went on to talk about the St. Lawrence waterways and the possibility of a $12, 000, 000.00 cane refinery being built in Toronto by C. and D. I pointed out that these were not yet accomplished facts but that they were definitely coming as far as we could guess, and could have a very severe influence on the Manitoba market. I was quite frank in saying that we were not particularly interested in the Manitoba Sugar Company as an investment by itself, as it was not a good investment at anything like the prices recently mentioned, but it would fit well into our beet sugar operations as we could synchronize management, sales, engineering, etc, and we felt it would strengthen our position in western Canada to have a united front against future eastern competition. I then went on to say that this was probably not a very good time to consider buying Manitoba Sugar Company shares as they had had two good crop years with excellent production and fair prices and have made good money, and the situation might be very different if we waited a while. However, I said we were serious about acquiring control or buying the Manitoba Sugar Company outright, and we would appreciate any help or advice he could give us. I told Mr. McAulay I knew the terms of the pooling agreement and had a list of the shareholders.

Mr. McAulay who, incidentally, was very pleasant, then opened out and gave me the following information. He said that last fall he had met Kronacher [sic] and on Kronacher's instructions

he had tried to round up all the Winnipeg stock for him, which would have given Kronacher control. When Kronacher arrived in Winnipeg in December, he expected to have control, but McAulay had to tell him that the Winnipeg group had refused to sell to him. . . .

. . .

. . . Mr. McAulay said the situation at the moment was that he had an undertaking with Kronacher that he would not discuss the sale of the Aikens or Safeway's shares until next July when Kronacher will be in Winnipeg, and that Kronacher in turn would not discuss the sale of his shares (4000) with anyone.

. . .

. . . He said that neither the Aikens estate nor Safeway's were interested in being in the sugar business and if they were free to do so, and if the price was right, they would sell us their shares immediately. I then said that we wouldn't buy their shares immediately because we had no intention of getting into a minority position in a company which could be controlled by Neuman and Kronacher (17,200 shares out of 34,000 shares). In other words, I said that we had to have either Kronacher's or Neuman's shares as well as the Winnipeg group's shares, or most of them, to give us control. . . . He then started to talk price of shares which, incidentally, he was pretty good at. He pointed out the book value plus the increase in book value as a result of this very profitable year and worked out that the book value would be $65.00 a share by the fiscal year ending March 31st, 1955. By the time the shares could be delivered in April, 1956, the book value could be at least $70.00, and he said that we should be prepared to pay at least $75.00. We argued about this for some time, my point being that $75.00 was a very high price in spite of the book value, as the future prospects for the Manitoba Sugar Company were not too brilliant. However, I said that I imagine our directors would be prepared to discuss $70.00 per share and might go as high as $75.00 if absolutely necessary.

In spite of what Mr. McAulay had said before in our meeting, the following arrangement was then tentatively made. Nothing will be done until August when Mr. McAulay returns from Europe. Mr. McAulay was definite that as far as he was concerned no shares would actually be delivered until the pooling agreement expires in 1956. However, he thought it possible that by August he may be able to line up, for our first refusal in June 1956, a considerable block of Winnipeg stock. The stock he could line up I think is:

Aikens	5700	shares
Safeway	4100	"
Leach	2200	"
Sellers	1600	"
	13600	"

I understand from Mr. Kramer that the Burns stock (1300 shares) could be bought, which would give us 14, 900 shares. Apparently the Bronfmans (1300 shares) are great friends of the Neuman's and they would not sell their shares unless the Neuman's do. Mr. McAulay and Mr. Dickson said that they would talk to Mr. Leach in the near future about the Neuman shares. Apparently Searle Leach is much the closest of the Winnipeg group to the Neuman's and is a personal friend of young Neuman's. I pointed out again that the price we were discussing was a tremendous price for the shares but that we would only pay it or anything approaching it to the Winnipeg shareholders if we could get the Neuman shares. Therefore, it was of the utmost importance to them if they wanted to cash in on a high price to get us the Neuman shares for delivery in early 1956, or sooner, if we have a firm contract, option, or first refusal with the Winnipeg group to give us control.

I then asked Mr. McAulay about Kronacher, and he said he thought that Kronacher had been staying on as a shareholder in hopes of eventually getting control but that not being in control irked him tremendously and McAulay thought that if Kronacher found that we had control through getting the Neuman stock he would throw in the sponge and sell out. If that should happen we would have the whole thing in short order. McAulay and Dickson will let us know if there are any developments but they expect nothing to happen in any way before late July when Mr. Kronacher arrives in Winnipeg.

. . .

To sum up I think most of them were rather surprised that we did not think the future of the Manitoba Sugar Company was anything but very bright, and also I think they were impressed with the seriousness of our interest and also with the price we were discussing as most of them paid nothing for their shares."

(AMF 571-574)

At the beginning of April, 1955, B.C.S.R. found that the Neuman shares in Manitoba Sugar could be purchased but these shares, totalling over 14, 000, were not sufficient in themselves to give B.C. S.R. control of Manitoba Sugar. In a letter of April 4, 1955 to Baron Neuman, Forrest Rogers wrote that he would ascertain whether additional shares could be purchased or whether an option could be

secured on some shares subject to the pooling agreement so -

> ". . .
>
> . . . that sufficient shares will therefore be available to give this Company control, then I will be in a position to write to you making a definite offer for immediate purchase of your shares. . . .
>
> . . ."

(AMF 575)

While the pooling agreement was in effect B.C.S.R was not able to purchase or secure an option on sufficient shares, in addition to those held by the Neuman interests, to make up a majority of the shares of Manitoba Sugar. The transcription of a telephone conversation between Forrest Rogers and J. A. MacAulay on April 11, 1955 contains the following:

> "R. Mr. Rogers speaking - . . . As you know the Neumans phoned me about a week ago and they said that they were prepared to sell to us if we were interested in purchasing. I told them that we were interested all right but we were only interested if we could get control. . . .
>
> . . ."

(AMF 576-578)

The transcription records that Mr. Rogers went on to say that if Baron Neuman turned around and sold to Baron Kronacker the latter would then have more than 50 per cent of the shares "and that is something we, of course, would definitely like to avoid". At the conclusion of the conversation Mr. Rogers is reported as saying that he thought B.C.S.R. would go ahead as "otherwise Neuman might get impatient and sell to Kronacher [sic]".

On April 13, 1955, B.C.S.R. undertook to purchase the Neuman shares. Mr. G. E. Neuman was informed of this decision in a telephone conversation with Forrest Rogers on this date. A transcription of their conversation reads in part:

> ". . .
>
> [Mr. Rogers] - . . . If you are still prepared to sell your Manitoba Company shares, we are in a position now to go ahead and buy them.
>
> N: All right - we talked about a price seventy-five Canadian, is that right?

R: That's right.

N: All right, sir. We are ready to go forward then.

R: Good - well now, the first thing I would like to know is exactly how many shares you have.

N: Oh, - we can be in a position to deliver 14, 136 or 37 . . .

. . .

N: Everything is OK with you and the Winnipeg part?

R: Well, not entirely. We can't get control right away, but I have reason to believe that we will - we are pretty well protected on that and we will eventually have control. Now, in that connection, have you got any influence with any other shareholders who perhaps are not members of the pooling agreement?

N: Well, I don't have any influence with people who are not members of the agreement. Leach is the only major shareholder - I know that Brintcan, I think, is a holding company of the Bronfman interests - they have up to 1, 300 but they are tied up in the pool too. I will advise them, if you wish, that you are buying these shares and that they should get in touch with you.

R: Well, I think that would be very good of you, if you would, because I am pretty well assured by the Winnipeg crowd that as soon as the pooling agreement is up those shares - or a good many of those shares - will be available to us, but unfortunately they can't give me, according to the pooling agreement, they can't give me any definite commitment in writing - they can't give me an option.

. . ."

(AMF 579A-581)

The position of B.C.S.R. as a minority shareholder in Manitoba Sugar is referred to in the following unsigned memorandum, dated April 29, 1955, from the files of B.C.S.R.:

"Mr. MacAulay telephoned from Winnipeg and gave me the following information. Since Monday, April 25th, he has been on the telephone every day with Mr. Savoye, who is Kronacker's representative in New York. . . . Through Savoye, Kronacker wanted to know first of all if the Winnipeg group had double crossed him and sold out to the B.C.S.R. Secondly, he wanted

to know whether Leach had sold to us and also whether the Bronfman's had. On being told that no shares had changed hands apart from the Neuman's, he wanted to know why the B.C.S.R. were so confident that they could control the July meeting even going so far as to have shares registered in sufficient individuals names to put up a complete slate of directors. He said he was strongly suspicious that some shareholders in Winnipeg, or elsewhere, had given B.C.S.R. an understanding that they would vote with them in July or abstain from voting altogether which would have the same effect of allowing B.C.. S.R. to control the meeting. Mr. MacAulay advised that no such understanding had been made to the best of his knowledge and that all pool members were living up to the letter of agreement one hundred percent. McAulay [sic] also told Savoye that we had paid $75.00 per share for the Neuman's stock and the same price would be paid for any other shares we could get.

Kronacker then apparently changed his tactics and asked the Winnipeg group to give him their word that they would vote with him at the July meeting. . . . MacAulay refused to commit the group on the question of voting with Kronacker or in not voting at all. . . .

. . .

I then asked MacAulay if the Winnipeg group would vote with us at the meeting. I said that if they would, and we could elect a full slate, possibly Kronacker would throw up the sponge and agree to liquidate the pool. Then if Bronfman would agree we could buy up all the shares and finish the transaction. I pointed out that if we were going to be successful in getting the shares a year from now and if Kronacker would sell out if we got control, he would be ahead in selling now and getting his $75.00 a share, or approximately $300,000.00, which could be put to work more advantageously than lying dormant in Manitoba Sugar Company stock which pays no dividend.

I gathered that MacAulay had used this line a little bit but had received no encouragement from Savoye or Kronacker. In fact, the day before MacAulay 'phoned me, Kronacker had suggested that it might be better if the Winnipeg group and himself held their shares indefinitely and a happy partnership was formed of B.C.S.R., Kronacker and the Winnipeg group.

I said this would not appeal to us at all and that we were determined to get control or an outright purchase of the company and that nothing else would satisfy us. MacAulay then said that he thought we would get control after the expiration of the pool but that he could not give us his word that the Winnipeg group would vote with us in July as they had dealt with Kronacker for a long

time, and although they did not like him too much they felt some obligation to him and if they refused to vote with him he thought they would refuse to vote with us. He suggested that the Winnipeg group go to the meeting and after listening to us and to Kronacker they could vote as they saw fit. He suggested that as a compromise to exist until the end of the pooling agreement, it might be best for B.C.S.R. to elect four directors, the Winnipeg group 3 directors, and Kronacker two directors. I said that I did not like this idea too much as we would prefer a complete slate which, of course, could include some of the Winnipeg group if necessary but we weren't keen on two Kronacker representatives. It was finally arranged that I see Mr. MacAulay in Winnipeg on Monday, May 9th, and Mr. MacAulay is going east on May 1st and is meeting the Canada Safeway directors in the east later in the week at which time he will discuss with them the position of their Manitoba Sugar stock.

From this it is obvious that the situation is still pretty much in the air and it appears that unless Mr. Rogers can change Mr. Kronacker's ideas when he sees him in Europe, we may have rather a holding problem for the next year.

. . ."

(AMF 602-603)

In addition to 14, 136 shares of Manitoba Sugar which B.C.S.R. agreed to purchase from the Neuman interests on April 13, 1955, 10 common shares were subsequently purchased on May 10, 1955, making a total of 14, 146 shares out of the 34, 000 common shares of Manitoba Sugar which had been issued.

In a letter to Forrest Rogers on May 10, 1955, A. M. Robertson wrote:

"I spent yesterday in Winnipeg with John MacAulay. I went to his office in the morning and spent three hours with him and Dickson. They outlined their recent discussions with Kronacher [sic] and with Savoie [sic] since the Manitoba Sugar Company stock was registered in our name. Their attitude at first was that they could see no reason to upset anything at present, as they felt quite certain that we could have the Winnipeg pool stock plus the Bronfman's stock in a year, and in the meantime we might as well ride along in a friendly way, with Kronacher and the Winnipeg group holding their stock and being represented on the board.

. . . MacAulay said that all the Winnipeg group were entirely on our side and that if a board was elected in July consisting of 4 B.C.S.R. representatives, 3 Winnipeg group and 2

Kronacher seats, we would have no difficulty whatsoever as the Winnipeg group would side with us on any decision and Kronacher could do nothing, and at the expiration of the pooling agreement they could see no reason why we should not get the Winnipeg stock without any trouble if our price was right and $75.00 they considered very right.

. . .

. . . I mentioned that it had just been announced by the Canada and Dominion Sugar Company that they and Tate and Lyle were starting construction of the new sugar refinery in Toronto - the first phase being construction of the raw sugar warehouses. This shook MacAulay quite a bit as it bore out exactly what we told him recently. I said that with the completion of this refinery it was problematical whether the shares would be worth anything like $75.00, and although I wasn't trying to put the heat on in a nasty way, I said I thought the Pool might be well advised to put some heat on Kronacher and clean the whole thing up now. MacAulay fell in with this idea immediately. He said that Safeway wanted to get out, and if it wasn't for the pooling agreement would sell to us right now. He said the Aikens' [sic] estate were getting no income from their Manitoba shares and that the beneficiaries, or at least their husbands - Messrs. Sellers, Mulholland and Con Riley - were getting fed up at the large amount of money in the estate represented by Manitoba shares which were bringing in no income and were most anxious to get out.

MacAulay then said that he would write to Kronacher immediately . . .

. . .

This letter to Kronacher will be mailed today and as you will realize, is written to coincide with the attitude which I take it from your letter you intend to adopt with Kronacher, i.e. we do not like the idea of any partnership or anything like it, and that we are determined to get control or outright ownership eventually. . . .

. . ."

(AMF 604-607)

In his evidence Mr. MacAulay said that he did not think that Mr. Robertson's report that "the Winnipeg group were entirely on our side" was entirely correct as the attitude at that time was one of neutrality. Mr. MacAulay referred to his letter to Baron Kronacker, written at the time of Mr. Robertson's visit in May, 1955 and which

contained the following:

> ". . .
>
> Just after your letter was received Mr. A. M. Robertson, vice president of B.C. Sugar Company telephone[d] me and requested an interview. He saw me later in the day.
>
> When he introduced the subject of the Manitoba Sugar Company and intimated a willingness to purchase the shares of the Winnipeg group, I told him I could not discuss with him sale of the shares of the Winnipeg group as certain Winnipeg shareholders had undertaken with you that we would not discuss a sale of our shareholdings pending a meeting with you to be held in July of this year. I told him you had given an undertaking to us to the same effect. I also told him that certain Winnipeg shareholders, including those I represented, were parties to a pooling agreement, which would make it impossible for them to make any disposition of their shares until after its expiry in June of 1956.
>
> . . .
>
> I also told Mr. Robertson that for the past few years we had not voted our stock because a vote of our stock would be quite ineffective. I observed that unless you and the B.C. Sugar Company voted your stock in the same way and for the same purposes, our stock could influence the policy and decisions of the company. I told him that in the past few days, the Winnipeg shareholders had discussed the matter and after discussion it had been decided that a representative of the Winnipeg group would attend the annual meeting and would vote the stock in a manner which the group considered in the interests of the company and in the interests of the Winnipeg shareholders.
>
> I pointed out that if we agreed to give a proxy either to you or the B.C. Sugar Company, we would be depriving ourselves of the right to exercise our own judgment in respect of company matters and abandoning our prerogative of influencing the company's operations. The above is the course which the Winnipeg shareholders decided they would pursue after giving consideration to your request communicated through Mr. Savoie [sic] and before my interview with Mr. Robertson.
>
> I therefore propose that some member of the Winnipeg group, presumably Mr. Dickson, should attend the annual meeting with authorization and proxies from the shareholders, and he will vote these shares in respect of the various matters which come before the meeting.

I did urge upon Mr. Robertson however that until the expiration of the pooling agreement in June, 1956, and more particularly at the next annual meeting, there should be elected to the board four appointees of B.C. Sugar Company, three appointees of the Winnipeg group, and two appointees of yours. Mr. Robertson said he was not in a position to agree to this but would discuss the matter with Mr. Rogers at the first opportunity.

. . .

Mr. Robertson concluded his conversation with me by stating the B.C. Sugar Company was prepared to buy all your stock and the stock of the Winnipeg group at the price paid Neuman, namely $75 a share. I do not know that you would be interested in such a proposal.

Since my interview with Mr. Robertson I have not had an opportunity to meet the Winnipeg group. Of course, in order to accept such a proposal, all the parties to the pooling agreement would require to agree, including Bronfman, who, I believe, took the stand he did previously in order to protect Neuman. Neuman has now sold his stock and Bronfman may not be further interested in holding his. If you and the members here, of the Winnipeg group, were interested in Mr. Rogers' proposal, Bronfman might conceivably be prepared to go along. This would make the decision unanimous to accept the B.C. Sugar proposal and would make it unnecessary to delay sale until the expiration of the pooling agreement.

I would like to have an expression of your views in regard to the proposal which Mr. Robertson suggested the B.C. Sugar Company was prepared to make to you, the Winnipeg group, and to Bronfman. After I have heard from you if you are interested in Rogers' proposal I will discuss the proposal with the Winnipeg shareholders."

(Hearing, pp.663-666)

B.C.S.R. advised one shareholder holding 114 shares of Manitoba Sugar that it was prepared to purchase his shares and as a result A. M. Robertson called on the shareholder, who lived in Vancouver, to discuss possible purchase. Mr. Robertson's memorandum of the interview on May 16, 1955 contains the following:

". . .

To cut the conversation short I finally said that if he wanted to sell his one hundred and fourteen shares we were prepared to pay $75 a share, which was a very generous price. He then asked what we were offering the small shareholders, and I told him $75

a share, and that he was a small shareholder - which he didn't like very much. He said that he reckoned the shares were worth $100 on the basis of the quick assets offsetting the preferred stock, and the depreciated value of the factory being $3, 500, 000 - or $100 a share on 34, 000 shares. I told him that we didn't figure that way and that we thought the stock actually was worth about $60 on a book value basis, and that if BCSR didn't get control it could be worth only a fraction of that after the St. Lawrence seaways opened up.

Finally I told him we did not care whether he sold or not, but if he was interested at $75 in the near future to let me know."

(AMF 608A)

The annual meeting of Manitoba Sugar was held in July, 1955. The following evidence was given by Forrest Rogers in regard to the appointment of directors at that meeting:

" . . . At that meeting were you appointed a director?

A. Yes.

Q. Were you appointed an officer?

A. Yes, I was appointed president.

Q. Who were the other directors?

A. The other directors are ---

Q. Who were appointed at that meeting?

A. The other directors appointed at that meeting are A. M. Robertson, F. R. Taylor, Sir Charles Tupper, and Brian Dickson, who subsequently resigned to make way for Mr. MacAulay, who is chairman of the board; and Mr. George Sellers is a director, and Cyril Leach, and Baron Kronacker, and Mr. Savoye -- I do not know his initials -- of New York. That should add up to nine.

Q. And, of those nine directors, whom would you term are directors, representing your company on the board?

A. Four.

Q. Mr. Robertson, Mr. Taylor, yourself, and Sir Charles Tupper?

A. Yes."

(Hearing, p. 44)

Mr. Rogers also testified that at the meeting of directors, following the annual meeting, B.C.S.R. was given the responsibility of managing Manitoba Sugar. His evidence was as follows:

"Q. Now, at that meeting, or at the directors meeting, was your company then asked to take on a management contract by the directors?

A. Yes, we were. Do you wish me to describe that?

Q. Yes; what led up to that?

A. Well, it was quite natural that, with our facilities and resources, that we should manage the company. All the directors or -- yes, all the directors were in favour of our doing so. And so we had a management contract. It is not really a contract in the form of a document. It just appears in the minutes of the directors meeting -- in which it was decided that our company should have all the rights of managing the company, and all the responsibilities of managing the company, with the exception of such things as required by law to be done by the directors or shareholders acting in a group.

There was a rider to that management contract to the effect that items of policy should be referred to the entire board for decision. It was rather difficult to say what 'items of policy' are, so we endeavoured to refer items of policy, even if we were not too sure if they were or not, to the board. Does that explain it?

BY THE CHAIRMAN:

Q. I assume, probably, that one of the reasons why your company would take over the management was that you were definitely expecting to take over ownership?

A. That was our intention.

Q. It was expected that you would take over majority control, was it, at that time?

A. We certainly hoped so, and we still do.

Q. And was that not one of the reasons why your company was given management -- that you were moving into the position of ownership?

A. We wanted it and, so far as I know, it was the mutual desire of all. If you were to consider the shareholders of

the company at that time being divided into three groups, there were ourselves, and what we speak of as the Winnipeg group, and Baron Kronacker. All three groups were in favour of our company taking over management. This management contract is renewable from year to year and, I presume it could be cancelled at any time by the directors.

BY MR. WHITELEY:

Q. Was provision made for payment of any kind?

A. Yes, there is payment of $2, 500 a month out of which the salary of the assistant manager, here -- whom I put in -- is paid. That is the only consideration. Manitoba Sugar Company also pays travelling expenses to any of our technical personnel whom we may send through from Vancouver to act in a consulting capacity here. But they pay no other salaries to any of our people, from myself down.

BY THE CHAIRMAN:

Q. The total expense is to the Manitoba Sugar, for this arrangement, of $2, 500 a month, plus travelling expenses?

A. Yes, that is right. But part of that $2, 500 is salary of a man who is permanently here as assistant manager."

(Hearing, pp. 45-47)

Later in his evidence Mr. Rogers said that there had been a reduction of $31, 000 in the expenses of Manitoba Sugar in connection with two officers as he received no salary as president and the functions of another officer, who had resigned, were now provided under the management contract.

According to returns of information made to the Director of Investigation and Research the Board of Directors of Manitoba Sugar as at December 10, 1955 was as follows:

J. A. MacAulay, Chairman
Forrest Rogers, Managing Director and President
G. H. Sellers, Vice-President
Baron P. G. Kronacker, Vice-President
A. M. Robertson, Assistant to the President
Searle Leach
Sir Charles Tupper
R. J. Savoye
F. R. Taylor

In May, 1956, when the term of the pooling agreement was drawing to an end, discussions were held in Winnipeg between Baron Kronacker and representatives of the "Winnipeg group" in regard to the possible purchase by Baron Kronacker of shares held by the "Winnipeg group". In a memorandum prepared by J. A. MacAulay for the purposes of the discussions the following proposals were outlined:

> "The B.C. Sugar Company has intimated that it is not prepared to buy the stock of the Winnipeg group until the present inquiry by the Director of Investigation and Research and the Restrictive Trade Practices Commission is completed. They anticipate this may be as long as a year. When this matter has been satisfactorily concluded and any objection withdrawn they are prepared to pay $110 a share for all the stock, including the Kronacker stock. In fact they make an offer now effective as soon as any necessary release is given to buy all the stock of the Winnipeg group, including Baron Kronacker's at $110 per share.
>
> Alternatively, we are prepared to recommend to the Winnipeg group that they sell their shares to Baron Kronacker at the present time at $100 a share providing the B.C. Sugar stock is taken too. If Baron Kronacker is interested we will proceed to make the recommendations and obtain an immediate answer. The Winnipeg group feel they are under some obligation to the B.C. Sugar Company which improved their position by buying the Neuman stock. In addition, they believe that for the industry and for Manitoba, a single control is preferable to a divided control. So far as the Winnipeg group is concerned, they are prepared to recommend that that proposal be accepted."

(Hearing, pp.683-684)

Other proposals were advanced by Baron Kronacker which were not acceptable to the "Winnipeg group". The principal points which made the proposals not acceptable to the "Winnipeg group" were described by Mr. MacAulay in his evidence as follows:

> "I told Kronacker that the offer he had made on Thursday, the 17th, was not acceptable to the Winnipeg group. He asked me in what particular way it was not acceptable. I said it was not acceptable in any particular -- that the price of $75 a share was not acceptable -- that it was not satisfactory to the Winnipeg group that he refused to buy the Bronfman shares because we thought they should be included; that we felt he should also agree to buy shares of B.C. Sugar for the reasons I had previously explained, namely B.C. Sugar by buying the Neuman shares had made our position better and made it impossible for Neuman to sell to Kronacker or Kronacker to sell to Neuman, and thereby control the company, giving our minority interest a much

smaller value; and we, therefore, felt under a moral obligation to the B.C. Sugar if we were selling, to stipulate that their shares should be included in any sale; -- and there is a little repetition here -- that his stipulation number four, to the effect that the Rogers people, if we sold the other shares to him, could not take any part in management."

(Hearing, pp.689-690)

Subsequently an offer was made by B.C.S.R. for an option on shares of Manitoba Sugar held by the "Winnipeg group". The offer is described, as follows, in a letter which Mr. MacAulay wrote to Baron Kronacker on July 6, 1956:

". . .

In the meantime, I had discussed the matter with the Winnipeg shareholders and they had agreed to accept the proposal of the B.C. Sugar that they grant an option to B.C. Sugar at $100 a share for 18 months, with a $25 cash payment as consideration for the option, the $25 cash payment to be applied on the purchase price of $100, in the event that the option was exercised, otherwise such amount to be forfeited.

. . ."

(Hearing, p. 702)

Option agreements covering 19,701 shares, including those held by Baron Kronacker, were entered into with B.C.S.R. in July, 1956 on the basis indicated above. The life of the option is until December 31, 1957. The agreements provide that "the certificates representing the shares subject to this option shall be held by The Canada Permanent Trust Company, Winnipeg, endorsed in blank for transfer" (Exhibit H-16).

In his evidence, Forrest Rogers testified that B.C.S.R. has purchased 1,936 preferred shares of Manitoba Sugar. There are, in total, 15,000 preferred shares of Manitoba Sugar. The following evidence was given by Mr. Rogers as to the investment of B.C.S.R. in shares of Manitoba Sugar at the time of the hearings:

"Q. How much, in dollars, has your company, up to this point, invested in the acquisition of shares of the Manitoba Sugar?

A. Well, from share purchases, directly, and the option money put up, and the purchase of preference shares, we have invested approximately $1,750,000.

Q. Now, if you were to complete the purchase and acquire all of the shares, what further investment would that require?

A. To take up our options on the balance of the common shares, we would have to invest a further $1,500,000. approximately.

BY THE CHAIRMAN:

Q. Would that give you complete ownership of the company?

A. With the options?

Q. Yes.

A. There are a few -- 500 or 600 shares, small holdings, on which we have not got an option yet. We have not tried to get an option.

Q. But you have options on all but 500 or 600 shares?

A. That is right.

BY MR. McARTHUR:

Q. And the money you are investing is, in part, in any event, money that you received from the sale of the plantation in the Dominican Republic?

A. Yes.

Q. I mean, you had a surplus available for investment?

A. Yes.

Q. Arising out of that?

A. Yes."

(Hearing, pp.42-43)

Earlier in his testimony Mr. Rogers had said that about 1944 B.C.S.R. had purchased the Ozama Sugar Company in the Dominican Republic. Early in 1955 this company was sold and certain funds were received by B.C.S.R. at this time from its sale.

In regard to the control of Manitoba Sugar the position at the time of the hearing held by the Commission was that the management of the company was being conducted by B.C.S.R. and that the

latter, under the terms of the option agreement, could purchase all but a small number of the common shares of Manitoba Sugar not already in its possession. It is obvious, therefore, that the situation to be considered is one of control of Manitoba Sugar by B.C.S.R. and this was so stated by counsel for B.C.S.R. when he said in argument:

> "I prefer to present my argument on the assumption that B.C. Sugar has acquired more than 50 per cent of the shares of Manitoba Sugar -- yes, 75 per cent; yes, 100 per cent -- and is in a position to assert complete control at all times in the same way as it has with C.S.F. since 1931."

(Argument, pp.69-70)

CHAPTER VII

APPRAISAL OF THE SITUATION FROM THE VIEWPOINT OF THE PUBLIC INTEREST

1. Reasons Given by B.C.S.R. for Seeking Control of Manitoba Sugar

The evidence reviewed earlier in this report indicates the reasons given by officers of B.C.S.R. for the interest in Manitoba Sugar at the time when negotiations were being carried on looking toward the purchase of a majority of the common shares. In response to a questionnaire sent to B.C.S.R. in June, 1955 by the Director of Investigation and Research, the following statement was made as to the reasons for the purchase of shares in Manitoba Sugar in a reply submitted to the Director on July 15, 1955 by A. M. Robertson, Vice-President of B.C.S.R.:

> ". . .
>
> 4. Early this year the Company sold its interests in San Domingo for several million dollars. It is not our policy to leave funds idle if reasonable investments are available. After our rather unfortunate experience in San Domingo we were not interested in again investing money in sugar businesses outside Canada, and therefore we carefully surveyed the investment possibilities in Canada. In April we found that we could buy a block of shares in The Manitoba Sugar Company Limited, and after due consideration we did so. Our reasoning behind this decision was as follows:
>
> The area in which beet sugar produced in Alberta and Manitoba can be profitably marketed is limited to the territory between the Canadian Rockies and the eastern boundary of the Province of Manitoba, and the quantity of sugar that can be sold is in direct proportion to the population of that area. Should either the Alberta or Manitoba beet sugar factories produce an excessive amount of sugar it would be necessary for one or both of the companies to ship sugar beyond the economic area at a much lower net return. This would result in a benefit to the railroads but a definite loss to the sugar companies and to the beet growers who participate in the price of the refined product. By purchasing an interest in The Manitoba Sugar Company Limited it is our hope that we can so coordinate production as to prevent such over production and consequent detrimental effect to the industry and the farmer, but at the same time production from both companies should slowly increase with the

growth in population. It is definitely not our intention to sacrifice one company for the sake of the other. It should be pointed out that there is no intention on our part to eliminate competition in the Manitoba market as competition is real and healthy, the area served by The Manitoba Sugar Company Limited being also served by the three eastern sugar refiners.

Another reason for our purchase of shares in The Manitoba Sugar Company Limited is the fact that we are disturbed at the prospect of the completion of the St. Lawrence Seaway, which will enable deep sea vessels to bring sugar directly into the Great Lakes area. We are also disturbed by the announcement by the Canada and Dominion Sugar Company that they intend to build a cane refinery in Toronto. These two happenings could cause very severe and intense competition in the Manitoba market in years to come, and it was our feeling that if we are going to have a fight on our hands with Eastern or offshore sugar, we should do everything possible to protect our borders.

. . ."

The motives of B.C.S.R. in purchasing shares in Manitoba Sugar were described by Forrest Rogers, President of B.C.S.R. in his evidence, as follows:

"A. Well, fundamentally, there are two basic motives; apart from the fact that we had some money to invest from our operations in Santo Domingo, there are two basic motives. One was because we expect a much more competitive situation to arise in the province of Manitoba when the St. Lawrence is opened, and a new refinery, now under construction in Toronto, comes into operation. And we felt that by owning Manitoba Sugar Company we would strengthen our competitive position with our eastern competitors.

Our other reason was one of investment. We felt -- we were fairly sure -- that we could improve the operation, financially, of the Manitoba Sugar Company. We were actually somewhat surprised to find out how correct we were."

(Hearing, p. 57)

When A. M. Robertson was referred to some reasons for the acquisition of Manitoba Sugar which he had given in a memorandum prepared in November, 1954, he gave the following evidence:

"Q. At that time however you appeared to be anxious to get control of Manitoba before Mr. Kronacker -- Baron

Kronacker?

A. That is right. The position there was that we wanted to buy Manitoba Sugar Company as an investment, and as an expansion of our business before the Belgian interests got hold of it."

(Hearing, p. 334)

The brief submitted to the Commission on behalf of B.C. S.R. refers to the purchase of shares in Manitoba Sugar with the object of strengthening the position of B.C.S.R. in the following terms:

". . .

B.C.S.R. was moved to purchase the shares too with the object of strengthening its position against present Eastern competition in its market, which it has good reason to suppose will be intensified.

. . .

Eastern refiners, producing principally cane sugar, are already serious competitors on the prairie market where at many points they can do better than by selling in their home market. Because of present lack of capacity to supply much more than the growing Eastern market their pressure has not been too severe. Two things will occur in the next two years to make a difficult situation a dangerous one. Their capacity will be greatly increased and the St. Lawrence Seaway will greatly reduce their freight charges. It was open to B.C.S.R. to do nothing and when Eastern sugar is dumped on the prairie market to abandon Manitoba and part or all of Saskatchewan, close down one or two of its Alberta plants and curtail its purchase of beets from Canadian farmers. The alternative was to determine to meet any dumping of Eastern sugar, as it had done before, in a price war which would discourage any dangerous invasion of its territory. What the Statement [of Evidence] shows a failure to understand is that in any war unity of command and concentration of forces is essential. A neutral Manitoba Sugar in a struggle fought in its own territory would bring disaster first to the C.S.F. market and then to its own. Manitoba Sugar has a far better opportunity to sell its sugar in Manitoba than has C.S.F. selling Alberta sugar there. B.C.S.R., C.S.F. and Manitoba Sugar together can offer formidable opposition to larger competitors. They could not do so if they were encountered in detail. It has been necessary to use the language of war for the principles involved here are the same. Put shortly, B.C.S.R. expects more formidable competition; it has moved to strengthen itself against it. It has invaded the territory where it faces such

competition.

. . ."

The disinclination of B.C.S.R. to have Manitoba Sugar as an independent company in the event of more active competition in the Manitoba market was referred to by A. M. Robertson in evidence, as follows:

"A. . . . in a severe contest between two large interests -- and we are large and the easterners are large; and obviously they are larger than we are -- it is never an advantage, and often it is a great disadvantage to have a small company in between, not too heavily financed, and not too able to stand the price cutting, and other manoeuvres that the big boys on either side can make. We did not like the idea of a small independent here. As I said yesterday, it was our determination, and still is, to make this a competition between western beet and eastern cane. And for that reason we wanted a united front in western beet.

Q. You have said there that it is a disadvantage to have a small company in between?

A. Yes.

Q. Why is that?

A. They disorganize the market. You never know what they are doing. You can refer to it in the army; if you have a battalion there and a battalion here under a unified command, you are much better fitted in a fighting way than if you are both flying around on your own.

Q. I would prefer, Mr. Robertson, to refer to the sugar business, if we may. Would you explain a little more fully how it is a disadvantage to have Manitoba Sugar independent?

A. In the first place, they might go bust.

Q. Then, it would be no longer a disadvantage?

A. They would have a lot of distress sugar floating around. In the second place, eastern refiners might buy them up, and that would be -- it would not be a very happy occasion for us. They are just more or less a nuisance, in the way, and we are convinced -- and this is our judgment -- that it is an advantage to us to have them under our control in this coming fight. We have had a lot of experience in the distribution of sugar in the west. We have found in Alberta,

definitely, that having home-grown sugar is an advantage when selling in Alberta, and we want Manitoba sugar to sell in Manitoba. And we think that, through having that sugar, we will be able to make an opening for our 15 million pounds a year excess.

That was our recommendation to the directors of B.C. Sugar, as to one of the reasons -- apart from that of an investment -- as to why we should buy the company. . . ."

(Hearing, pp.337-339)

2. Views of B.C.S.R. as to Results of Such Control

The position taken by B.C.S.R. was that acquisition of control of Manitoba Sugar by B.C.S.R. could not be considered as lessening competition in the territories where Manitoba sugar could be sold because, as A. M. Robertson put it, "we never considered them our competition in this market. They never have been." (Hearing, p. 271).

Mr. Robertson elaborated this answer, as follows:

"BY THE CHAIRMAN:

Q. Did your company not regard Manitoba Sugar as being a competitor at all in this market?

A. No. The reason is that from our experience further west in Alberta, we did not think, and still do not think of Manitoba Sugar -- that Manitoba Sugar should have any trouble selling Manitoba sugar in Manitoba. They do not produce enough for this market.

Q. They did at the time they began to produce substantial quantities of sugar -- they did take over a substantial part of the market which had been held by other companies?

A. Yes, they took it over from the east, though.

Q. Did they take over nothing from C.S.F.?

A. Nothing from C.S.F. There is a margin between what they can produce and the requirements of this market, and we have been coming down here every year for ten years, and calling on every important buyer in Winnipeg, Brandon and Dauphin, and our sales talk has always been that we expect them to buy Manitoba sugar first. The

same as we expect Alberta people to buy Alberta sugar first. We say, 'Manitoba Sugar Company are not producing enough for all your requirements, and after they have exhausted their sugar, we want the surplus demand, rather than eastern sugar.'

Q. In the economic sense, I would think that any manufacturer selling in this market would be regarded as a competitor.

A. Well --

Q. Because they are selling to any potential buyer.

A. Well, it depends on the degree of the competitor, does it not? We did not consider them seriously. We always considered they would sell their sugar. We have about, normally, 12 million to 15 million pounds of surplus sugar, and this was the market for it. Manitoba sugar, we reckoned, would be sold anyway, and our competition in getting that market was with eastern refiners."

(Hearing, pp. 271-272)

Mr. Robertson gave the following evidence as to the integration of the sales policies of Manitoba Sugar and C.S.F. since the purchase of shares in Manitoba Sugar by B.C.S.R.:

"Q. Has there been any integration of the sales policies since April, 1955 of Manitoba Sugar and Canadian Sugar Factories?

A. Well, the only integration there has been is that we have attempted to influence the sale of Alberta sugar in its most remunerative markets, and Manitoba, in its most remunerative markets. We have never refused to sell Alberta sugar in Manitoba, and we have never refused to sell Manitoba sugar in Saskatchewan.

There is a great difference between withdrawing from a market and not offering it. If we instruct our agents to go and hammer hard at sales of Alberta sugar in Manitoba, we will sell Alberta sugar in Manitoba. On the other hand, if we tell them not to push it too hard, the sales will drop off. But we will never refuse to sell anybody, if they order it. It, -- just as we have never refused to sell anybody cane sugar in Alberta and Saskatchewan. If they order it, they get it.

Q. If British Columbia Sugar had absolute control of Manitoba Sugar, would it eliminate Manitoba Sugar as a competitor?

A. No.

Q. Would it be your intention that Manitoba Sugar should continue as an active competitor in the area in which it has marketed its products?

A. Definitely, yes.

Q. Particularly the city of Winnipeg?

A. Yes.

Q. Is that, really, the most advantageous market that Manitoba Sugar has?

A. Yes. Manitoba Sugar gets its sugar into the city of Winnipeg for 6-1/4 cents per one hundred pounds. And it gets its very highest net return from selling in the city of Winnipeg. The province of Manitoba uses 75 million pounds of sugar a year, and a very large percentage of that is right here, naturally, in the city of Winnipeg. I understand that the Winnipeg area has pretty close to 400, 000 people in it now.

Q. Yes?

A. Which is a very big slice; and all your manufacturers are here.

BY THE CHAIRMAN:

Q. Would you say that substantially over half of the total consumption of Manitoba is in the Winnipeg area?

A. Yes, substantially over half.

MR. McARTHUR:

. . .

Q. Would Manitoba Sugar continue to sell to [through] its own sales staff?

A. Yes.

Q. So as far as you know it has never sold through brokers?

A. It does in Saskatchewan.

Q. But not in Manitoba?

A. No, its own staff.

Q. In your opinion, would there still be active competition over the area in which Manitoba has sold its sugar in the past?

A. Yes.

Q. And who would be the competitors?

A. Eastern sugar.

Q. What firms?

A. Well, there would be Canada and Dominion, St. Lawrence Sugar, Atlantic Sugar."

(Hearing, pp.241-243)

Considerable emphasis was given in the testimony of officers of B.C.S.R. to improvement in efficiency in the operations of Manitoba Sugar under the control of B.C.S.R. The following general statement was made by Forrest Rogers, President of B.C. S.R.:

"A. . . . we can strengthen Manitoba's competitive position with our resources, and put the factory in a much better position to compete with eastern competition. We can make the factory much more efficient; we can make it much more efficient and, with our financial resources, we can make the factory much more competitive, much more capable of standing up to eastern competition, and doing so in a much better manner than it would if it was on its own."

(Hearing, pp. 120-121)

Mr. Rogers described in his evidence the eight departments through which operations under the control of B.C.S.R. are conducted. These embrace the agricultural department, which conducts agricultural research work, including research into the breeding of beet seed supplies, the technical department which is responsible for chemical control of cane and beet sugars, and the operating, engineering, personnel, sales, purchase and accounting departments. Prior to the management of Manitoba Sugar by B.C. S.R. its operations had not been as fully departmentalized and where there were equivalent departments they were not staffed to the same extent. The situation was summed up by Mr. Rogers as follows:

"A. . . . I think the best way to put it is this, that with five factories, or with four factories, three in Alberta, we can

afford to have men of a much higher calibre in those supervisory positions. All that will be, and is being made possible to the Manitoba Sugar Company."

(Hearing, p. 102)

When asked to describe improvements which B.C.S.R. expects to introduce into the operations of Manitoba Sugar Mr. Rogers said that it was believed that with greater mechanization there could be a reduction in the man-hours of labour used. He also said that the laboratory methods used in Manitoba Sugar were being completely overhauled. It was also expected that savings could be made in the purchase of supplies and in the cost of insurance because of the experience of B.C.S.R. and its larger scale of operations.

Mr. A. M. Robertson, Vice-President of B.C.S.R., referred in his evidence to the possibility of making Manitoba Sugar more profitable by putting in economies. His testimony included the following:

"Q. And you expect to do this by synchronizing managements, sales, engineering and so on?

A. Not to any great extent, although to some extent by synchronizing management and sales; but mostly by an efficient operation of the plant, and [the] agricultural end of it."

(Hearing, p. 384)

The management of Manitoba Sugar by B.C.S.R. was stated to have resulted in more harmonious relationships between the company and the beet producers. Evidence given by growers and others was to the effect that on some occasions in prior years great difficulty had been experienced in arriving at the terms of the contracts for the purchase of sugar beets by Manitoba Sugar. The following evidence was given by A. M. Robertson about negotiations with growers over the contract for 1956:

"Q. When you acquired your shares and became a director of the Manitoba Sugar Company, did you take part in the negotiations with the beet growers for the Manitoba Sugar?

A. Yes.

Q. Had they not wanted the same features that are included in the Alberta contract embodied in their contract, for several years?

A. Yes.

Q. And did you, taking part in the negotiations, give them those features that they asked for ?

A. In effect, yes. On sugar we gave them 60 per cent and we kept 40 per cent, as against 63 per cent and 37 per cent in Alberta. The reason we could not give them 63 per cent here is that the Manitoba beets are not of the same quality as the Alberta beets. In other words there is not as much sugar in them, and you cannot pay as much for an inferior beet, which costs the same amount to process, per ton, as a good beet does.

So we made a deal with them at 60/40 instead of 63/37, and they were quite satisfied.

BY MR. ROBERGE:

Q. What were they getting prior to that arrangement ?

A. The new contract on the basis of a net return of $8 and 16 per cent, sugar content, which is average in this area -- the new contract amounted to approximately 40 cents a ton more for the beet growers; and as they produce over 200, 000 tons, they had something over $80, 000 for the growers.

. . .

BY MR. McARTHUR:

Q. Did you take much time in arriving at an agreement with the Manitoba beet growers ?

A. No, it just took three meetings, spread over three days.

BY THE CHAIRMAN:

Q. Were there any other features in the contract ?

A. Yes, the old contract was a very complicated affair. It was so complicated, in fact, that 90 per cent of the growers did not like it because they could not understand it. Frankly, it took a long time for us to understand it.

They had all sorts of bonuses -- a bonus of 2-1/2 cents a ton for every half per cent over 83 purity, and they had a bonus of so much a ton for every 5, 000 tons produced over 140, 000 tons. It was a most complicated arrangement. But when I said that it gives them 40 cents a ton more based on $8 net return and 16 per cent beets, we incorporated

all the bonuses in the old calculation on the basis of 200, 000 tons.

In other words, they enjoy the bonus from 140, 000 to 200, 000, and we also incorporate a purity bonus based on the purity last year, which was high. I may say that the Manitoba beet growers were more than pleased. It was the best agreement they ever expected to get.

Q. It would appear, then, that the beet growers are obviously interested in price being maintained at as high a level as possible?

A. Yes.

Q. And, to that extent, they are interested in competition which will stabilize the price at a reasonable return?

A. Yes, at a reasonable return. I would say they are interested in us keeping competitive to sell their product, as much as anything else."

(Hearing, pp.235-237)

3. Position of B.C.S.R. in Western Provinces

The plan of B.C.S.R. to control Manitoba Sugar must be considered in relation to the position previously occupied by B.C.S.R. in the western provinces and the situation resulting from the inclusion of Manitoba Sugar under the same control.

Tables 14 to 17 show the positions occupied by Canadian sugar refiners in each of the western provinces for a number of years. If attention is confined to recent years it will be seen that B.C.S.R. has been the only supplier in British Columbia, B.C.S.R. and C.S.F. have been the only suppliers in Alberta and except to a very minor extent they had the same position in Saskatchewan until 1953 when sales of Manitoba Sugar constituted a small but significant part of the total (7 per cent in 1953 and 6 per cent in 1954). In Manitoba, the market has been divided, B.C.S.R. and C.S.F. had 9 per cent of the sales in 1950, 19 per cent in 1951, 17 per cent in 1952, 27 per cent in 1953 and 23 per cent in 1954. Manitoba Sugar had 51 per cent in 1950, and 47 per cent, 53 per cent, 51 per cent and 54 per cent in 1951, 1952 and 1953 and 1954 respectively; sales of eastern sugar have formed the balance of the supplies in Manitoba, viz., 40 per cent in 1950, 33 per cent in 1951, 30 per cent in 1952, 23 per cent in 1953 and 24 per cent in 1954.

It will be recalled that specialty sugars have not been produced in Canada from sugar beets so that such products are included in the cane sugars sold in Manitoba. The estimate of A. M. Robertson was that about 10 per cent of the quantity of sugar sold in Manitoba consisted of specialty sugars. As sales of western cane sugar in Manitoba from 1950 to 1954 were less than 2 million pounds per annum there would be about 5 to 6 million pounds of eastern specialty sugars included in the total for Manitoba. This would mean that in 1953 and 1954, eastern sugar constituted about 17 per cent of the granulated sugar sold in Manitoba. On the other hand, Manitoba Sugar which has been supplying over half the total market for sugar in Manitoba, probably has been supplying about 60 per cent of the granulated sugar, excluding specialties. In the last few years it has also occupied a position of some significance in Saskatchewan.

When the situation is considered in which Manitoba Sugar would be controlled by B.C.S.R. it is seen that the position in British Columbia and Alberta would not be affected, B.C.S.R. and C.S.F. already supplying the entire market, but in Saskatchewan there would no longer be an independent company supplying 6 per cent or more of the market and in Manitoba the independent company, supplying over half the market, would be under the control of the enterprise then having the complete supply of sugar in British Columbia, Alberta and Saskatchewan under its direction. In respect to Manitoba the position would then be that B.C.S.R. would have under its direction over three-quarters of the supply of sugar in Manitoba, whereas with Manitoba Sugar as an independent company it would have in the neighbourhood of one-quarter. It must be accepted that the statistical positions in Manitoba would be profoundly affected if Manitoba Sugar ceased to be an independent company and there would be a significant difference with respect to Saskatchewan.

4. Pricing Policy of B.C.S.R.

Whether Manitoba Sugar is an independent company or is controlled by B.C.S.R. is also of importance in view of the policy followed by B.C.S.R. in pricing cane sugar refined in Vancouver and beet sugar produced by C.S.F. The evidence indicates that it is the policy of B.C.S.R. to establish the highest possible price at Vancouver which does not invite or lead to the importation of offshore sugar. At times, as in 1953, B.C.S.R. is concerned about the possibility of importations being made by some of its customers and reduces its price to avoid such a development but Forrest Rogers, President of B.C.S.R., said that no importations had been made within his memory (Hearing, p. 86). It is the case, of course, that to complete arrangements for the importation of refined sugar would necessarily involve considerable time and would only be considered for shipments of substantial size. The advantages of purchasing offshore sugars,

therefore, would have to be of some magnitude and to be likely to persist over a space of time sufficient to permit benefits to be derived from the shipments before contracts would be made for supplies of sugar from distant markets.

Such factors are of even more importance in British Columbia than in eastern Canada as large scale users of sugar in the Vancouver area are fewer and the shipping costs from possible off-shore sources of supply are higher than to the manufacturing centres in the east.

In these circumstances B.C.S.R. has found it possible, in the recent period, to establish its refinery list price at a level 35 cents per hundred pounds higher than the list price at Montreal. Officers of B.C.S.R. explained the higher price at Vancouver on the ground that wage rates are higher at the Vancouver than at the eastern refineries and that the freight cost on fill-in cargoes of raw sugar from the West Indies is about 30 cents per hundred pounds higher than to Montreal (the bulk of raw sugar used at Vancouver comes from Fiji at about the same freight cost as raw sugar delivered to Montreal). On the other hand, the B.C.S.R. refinery has the advantage of being located at a seaport which is open the year round whereas Montreal refineries can only receive vessel shipments during the period of open navigation. However, the opportunity to have a higher price for sugar at Vancouver than at Montreal must be due to the fact that competition from offshore sugars usually comes to bear less directly at Vancouver than in eastern Canada. This is borne out by comments in a letter written by A. M. Robertson, Vice-President of B.C.S.R., on February 24, 1953 (previously cited) when there were offerings of offshore sugars. Mr. Robertson wrote, in part:

> "Effective today, February 24, I reduced sugar prices throughout our territory 15¢. This reduces our margin over the East to 10¢. . . . At first I thought of reducing prices in British Columbia only, or reducing tailings only, but after much consideration I thought the first move should be to put our margin over the East to a reasonable and justifiable amount and from there on adjust as indicated due to Eastern declines which we will follow (and which will come very soon, I think) or due to pressure of competitive sugar which might mean adjusting all grades in British Columbia only or tailings only.
>
> . . ."

(AMF 28-31)

It is the case that the cane refinery of B.C.S.R. at Vancouver serves, with respect to the Prairie markets, as a reserve plant. When there is a small crop of sugar beets in Alberta the production of cane sugar at Vancouver is increased so that supplies of

refined cane sugar can make up the deficiency. When there is a large crop of sugar beets in Alberta, production of cane sugar at Vancouver is correspondingly reduced. As the unit cost of production of sugar, whether cane or beet, reflects the volume of output from the factory the unit costs at the Vancouver refinery are affected from one year to another by the extent to which there is production for delivery to the Prairie Provinces.

The difference between the cost of raw sugar delivered at the cane refinery and the net selling price of refined sugar provides the margin to cover the costs of refinery operations, selling expenses and overhead and a profit. This difference is referred to in the trade as the "refiner's margin" or "spread" and nominal margins can be readily calculated for markets, such as those in the United States, where prices of raw sugar and refined sugar are published regularly. From information furnished by B.C.S.R. the Director of Investigation and Research prepared a table showing for 1950 to 1955 the refining margin or spread on shipments received at the Vancouver refinery in those years. This table will be found in Appendix A. It may be mentioned here that it was stated in evidence by A. M. Robertson, Vice-President of B.C.S.R., that under the Sugar Administrator, during the period of wartime control, the refining margin in Canada for cane sugar was set at $1.95 per hundred pounds (Hearing, p. 306).

The Director also prepared a table showing the nominal refining margin in the United States, based on published quotations for raw and refined sugar, compared with the refining margin of B.C.S.R. The table giving this comparison is shown in Appendix B.

The following evidence was given by Forrest Rogers, President of B.C.S.R., as to differences in the conditions under which sugar refineries operated in the United States compared with those at Vancouver:

"Q. Did you attempt or are you able to make any wage comparisons with the United States refineries?

A. No, we have made no comparison with United States refineries, because their conditions under which they operate are so entirely different from ours that any figures would be meaningless. Their operations are much more on a year-round basis than ours are.

Our refinery in Vancouver -- we have to operate it right up to capacity in the summer months, -- May, June and July -- to look after the canning and preserving season. And then our sales drop off drastically in the fall, and the following spring.

That is not so with the American refiners. They enjoy a much more year-round demand for their sugar.

Then, there is another tremendous difference between the American refiners and ourselves, and that is that they have enjoyed a tremendous increase in their population. And, so far as I know, there has been no new sugar refinery built in the United States in the last quarter of a century. As a matter of fact, it is to the contrary. Several of them have been shut down, both in the east and in the west.

So that they are operating right up to capacity. Furthermore, when we come to compare Canadian with them -- and this has not to do with labour rates -- but when you compare Canadian with American refineries, you must also remember they are under a strict quota system, which gives them 100 per cent protection."

(Hearing, pp. 131-132)

Tables showing the operating results of B.C.S.R. and C.S.F. were also prepared by the Director from returns submitted and were included in the Statement of Evidence. In Appendix C will be found the table prepared by the Director showing total cost and average return per 100 pounds of raw sugar for the fiscal years 1950 to 1955. A further table presenting a consolidated statement of income, dividends and capital investment for B.C.S.R. and C.S.F., prepared by the Director, is included in Appendix D.

The price of sugar established by B.C.S.R. at Vancouver becomes the controlling factor not only for cane sugar refined at Vancouver but also for Alberta beet sugar sold within the territories where sugar is sold on a price built up from Vancouver. The 35 cents difference over the price at Montreal, or whatever difference is maintained by B.C.S.R., is, therefore, a factor of great importance not only in the sale of western cane sugar but equally in the sale of Alberta beet sugar. An illustration of this is given in a letter of A. M. Robertson written on October 21, 1953 when competition from Manitoba Sugar was being experienced in Saskatchewan. This letter is set out in large part earlier in this report but the following portion may be referred to here:

". . .

Another idea we had was reducing our Vancouver price drastically to fully reflect the reduction in the price of raws. This would be justified (confidentially) but would cost us a lot of money and would also reduce our net return substantially on Alberta sugar throughout all Alberta as well as Saskatchewan.

Therefore, it appears that the best method is to reduce Saskatchewan alone for straight competitive reasons. . . .

. . ."

(ATH 3-4)

From the evidence as to the pricing policy followed by B.C.S.R. in the territories where prices are based on Vancouver and as to its policy in selling beet sugar in territories where the price is based on Montreal it is clear that in the absence of independent competition in Western Canada the likelihood is that the price of sugar will be maintained at the highest possible level, subject to limits set by the possibility of importations at the eastern or western ports.

A further aspect of the pricing policy of B.C.S.R., as shown by the evidence reviewed in this report, is the manner in which the structure of sugar prices in the Prairie Provinces has been supported by the practice of using delivered prices, built up either on the price at the refinery in Vancouver or on a Montreal base. This system has a number of consequences, one of which is indicated in the above quotation. That is, the ability to adjust prices in a particular area while keeping the general price structure unchanged. Such action, in some circumstances, could result not only in meeting competition from other suppliers but in removing such competition.

While the Commission does not regard the question of the delivered price system as being related directly to the question of acquisition of Manitoba Sugar by B.C.S.R., the Commission considers that it is appropriate to make some comments on the practices followed by B.C.S.R. in view of the evidence in the inquiry and the submissions made to the Commission by the Director and on behalf of B.C.S.R. in regard to the system. In so doing, we have in mind that B.C.S.R. and C.S.F. are the sole suppliers of sugar in British Columbia and Alberta and in a large part of Saskatchewan.

The general policy of B.C.S.R. in the sale of sugar in British Columbia is to offer sugar f.o.b. Vancouver. There are indications in the evidence, however, that the company might be hesitant to hold to this general policy without exception if delivery of sugar on this basis might have a disturbing effect on the delivered price basis used in other territories. We consider that B.C.S.R. should be prepared, in all cases, to offer sugar to any customer at its prevailing price f.o.b. Vancouver, and that no difficulties should be put in the way of any customer who wishes to buy on this basis. Inasmuch as the price structure in those areas where the price is built up from Vancouver is stated by B.C.S.R. to be based on the price f.o.b. Vancouver plus freight to destination, we believe that any customer in British Columbia or in the Prairie Provinces should have the opportunity to buy sugar f.o.b. Vancouver and arrange his own transportation. In order to ensure that this opportunity is available at all times,

it will be necessary for B.C.S.R. to include on all price lists which it issues for British Columbia or for any locality in the Prairie Provinces, a statement of its price f.o.b. Vancouver, and to advise customers that they may make their purchases on the f.o.b. basis.

In the case of Alberta beet sugar, no separate price lists are employed in the areas where prices are based on the Vancouver price plus freight, as Alberta beet sugar is either sold at the same price as cane sugar, as in Alberta, or at a fixed cane-beet differential. Nevertheless, there are indications in the evidence that in some circumstances customers find it advantageous to take delivery of sugar at one point and arrange delivery to other points themselves. We believe that economies may be achieved when the customer as well as the supplier is continually seeking to make savings in transportation costs. For this reason, we think that in the purchase of sugar the customer should be free at all times to designate the place at which he wishes to take delivery of sugar at the price prevailing at that place, and he should be equally free to arrange further transportation as he sees fit without objection or hindrance by the supplier.

5. Position of Manitoba Sugar

Under the price structure which exists in Western Canada the price of sugar, in the absence of internal competition presses against the ceiling set by possible entry of offshore sugars. If there is any development of competition among domestic suppliers, prices, if they move at all, can only come down. With its situation in the market area where B.C.S.R. and eastern refiners both seek business Manitoba Sugar, as an independent company, can play an important part in extending the range of competitive factors which may come either from the east or from the west. In the Manitoba market, as has already been shown, Manitoba Sugar now supplies a larger part than B.C.S.R. (including C.S.F.) and eastern sugar combined. In the Canadian sugar industry, as a whole, Manitoba Sugar stands as a relatively small company but its position as a competitive factor in Manitoba and Saskatchewan is out of all proportion to its size in the industry.

In any market in which a homogeneous product is sold all suppliers play their part in determining the level of prices. In such a market the influence of even a small supplier may determine the prevailing price level. In the case of Manitoba Sugar, its position in some areas is by no means a minor one.

Reference has been made to the view expressed by officers of B.C.S.R. that Manitoba Sugar was not regarded as a competitor when it was an independent company. This view was modified with respect to particular situations as indicated in the following evidence

of A. M. Robertson, Vice-President of B.C.S.R.:

"Q. In the earlier extract I have just read, about Manitoba Sugar meeting your price and giving an extra 20 cents a hundred, and the reaction from you of adjusting your prices downward in Saskatchewan, -- that surely indicates that Manitoba Sugar is a competitor.

A. Manitoba Sugar at that time were pushing sugar in Saskatchewan. On the other hand, it might have been St. Lawrence or it might have been Acadia or it might have been Canada and Dominion -- any damned competitor who comes into your market, and starts cutting prices, if you want to keep your business you have to meet it. At that time it was Manitoba Sugar.

Q. So that at that time they were a competitor?

A. Yes."

(Hearing, p. 336)

Other evidence of Mr. Robertson may also be recalled in which he stated that Manitoba Sugar, as an independent company, might "disorganize the market". In view of the price structure which exists for sugar in Western Canada this can only mean that the operations of Manitoba Sugar, as an independent company, might bring about a lower level of prices than would otherwise prevail. Such an interpretation is supported by the history of prices in various periods as disclosed by the evidence.

When B.C.S.R. first began the sale of Alberta beet sugar in Manitoba in 1937, which at that time was being supplied entirely by eastern refineries, the latter resisted the sale of Alberta beet sugar by launching a price war, which led to successive price reductions, amounting in all to $1.20 per hundred pounds. This period of competition concluded on the fourth day [1] and prices were immediately restored to the level which preceded the price war and the evidence showed no other instance of competitive price activity between B.C.S.R. and eastern refiners. The price war in 1937 was followed by give and take arrangements between B.C.S.R. and its eastern beet sugar competitor, in which each assisted the other in marketing beet sugar in Manitoba. In the post-war period price variations which B.C.S.R. has encountered in the sale of eastern sugar have been usually attributed to situations caused by variations in transportation charges, such as those which occurred in connection with the trucking of sugar from the Lakehead to points in Manitoba and Saskatchewan.

The record of the very brief episode of price competition in 1937 between B.C.S.R. and eastern refiners may be contrasted with

1. After the price reduction was countered.

the sustained active competition between B.C.S.R. and Manitoba Sugar which appears to have continued in varying degrees until control of Manitoba Sugar was placed in the hands of B.C.S.R. According to the records of B.C.S.R., the reduction in price of 45 cents per hundred pounds, which was put into effect in May, 1953, was maintained for a period of six months and information given by Manitoba Sugar indicates that the corresponding reduction on its part was kept in effect for about a year. Other price reductions were in effect for other periods.

In addition to the competitive situation which developed between B.C.S.R. and Manitoba Sugar in Manitoba, Manitoba Sugar also brought about a competitive situation in a large part of Saskatchewan, and as far west as Regina and Saskatoon. Its activities in these areas led B.C.S.R. to establish a new structure of lower prices in eastern Saskatchewan in an attempt to curtail or eliminate the competition of Manitoba Sugar.

Under existing railway freight rates for sugar, there are considerable sections of Saskatchewan to which freight costs from Winnipeg are less than from sugar factories in Alberta. As will be seen from Table 19, this means that the net factory return in a number of instances is greater at the plant of Manitoba Sugar than at the factories of C.S.F. It is probable that the number of places would be even greater if the comparison were made on the basis of trucking charges and the area would be wider if the same special railway mileage rates applied on sugar shipped from Winnipeg as now apply from Alberta factories.

Although it is the case that Manitoba Sugar secures its largest net return on sugar sold in the Winnipeg market when the price structure is based on the price lists for eastern cane sugar, it will also be seen from Table 19 that the amount of freight which must be absorbed to reach eastern Saskatchewan markets does not exceed very much the differences in net returns in other Manitoba localities. If there is further expansion in the production of Manitoba beet sugar, the eastern Saskatchewan market might well increase in importance as a market for Manitoba beet sugar. In fact, according to information furnished to the Commission by B.C.S.R. 8 million pounds of Manitoba sugar were sold in Saskatchewan in 1955.

Another aspect of the position of Manitoba Sugar as an independent company is that it is not bound to a rigid system of delivered prices as is the case with B.C.S.R. and C.S.F. The evidence contains several instances where Manitoba Sugar has permitted customers to purchase sugar on a more flexible basis in terms of delivery so that the customer made some saving in transportation and a lower price of sugar resulted. The following comment on one such instance was made in a B.C.S.R. Distribution Report:

". . .

. . . Our only hope for correcting this situation would be to convince Manitoba Sugar Company of the fundamental error of their actions in relation to the basic pricing policy used for arriving at sugar prices in the prairies.

. . ."

(AMF 752-765)

It need scarcely be said that with Manitoba Sugar under the control of B.C.S.R. the occasion for any "error" of this kind would be removed.

The evidence in the inquiry does not provide any conclusive information as to whether with the opening of the St. Lawrence Seaway conditions will become more favourable for the refining of cane sugar at the head of the lakes or in Manitoba. It is apparent, however, that if favourable conditions do develop for the refining of raw sugar in Manitoba such activity would be more likely to be engaged in if Manitoba Sugar was an independent company.

6. Conclusions

In the course of his argument counsel for B.C.S.R. contended that the acquisition of control of Manitoba Sugar by B.C.S.R. would result in more, not less competition. Our appraisal of the situation disclosed by the evidence in the inquiry leads us to the conclusion that the control of Manitoba Sugar by B.C.S.R. has the effect of removing competition between the two companies on a price basis and that this is likely to lessen competition in Manitoba and Saskatchewan to a degree which would not be in the public interest.

It has been shown that B.C.S.R. and its subsidiary C.S.F. are the only suppliers of sugar in British Columbia and Alberta and that the two companies also supply all but a small part of the sugar sold in Saskatchewan. In relation to these markets B.C.S.R. may be said to have a complete or almost complete monopoly of the sale of sugar. In recent years Manitoba Sugar has supplied a small part of the Saskatchewan market with sugar but its competition in some periods has been sufficient in some parts of eastern Saskatchewan to bring about prices lower than those which would result from application of the basis previously used by B.C.S.R. The conclusion appears inescapable to the Commission that control of Manitoba Sugar by B.C. S.R. will close off for the future any opportunities for the public to benefit from lower prices brought about by competition between B.C.S.R. and Manitoba Sugar in the Saskatchewan market.

B.C.S.R., through its subsidiary C.S.F., and Manitoba Sugar are both vitally interested in the sale of sugar in the Manitoba market where Manitoba Sugar, in recent years, has supplied more than half the sugar sold in that market. Although eastern refiners supply almost one-quarter of Manitoba's requirements and may become more interested in western markets, we believe that the elimination of rivalry in the Manitoba market between B.C.S.R. and Manitoba Sugar must be regarded as also having the effect of lessening opportunities for competition in the Manitoba market to a significant degree.

For the foregoing reasons we consider that it would not be in the public interest for B.C.S.R. to have an interest in or control over Manitoba Sugar through the purchase of shares or otherwise. Therefore, it is our opinion that the proposed merger should be renounced. We believe that the public interest would be best served if Manitoba Sugar operated as an independent company with no share interest in it or control over it held, directly or indirectly, by any other Canadian sugar refining company.

It was represented on behalf of B.C.S.R. that its control of Manitoba Sugar would be of advantage to all persons dependent upon the beet sugar industry in Manitoba, including consumers and beet growers. These advantages, as described, appeared to rest, in the main, on the efficient conduct of the operations of the beet sugar factory in Manitoba and did not envisage any reduction in prices to the consumer as a result of control by B.C.S.R. We see no reason why the beet sugar factory in Manitoba should not be operated efficiently as an independent company if adequate management is provided. The success of an enterprise, under competitive conditions, is dependent on the efficiency with which its operations are conducted and it would seem appropriate that such a test should apply in the case of a beet sugar factory, as in the case of other enterprises.

(Sgd.) C. R. Smith

Chairman

(Sgd.) A. S. Whiteley

Member

(Sgd.) Guy Roberge

Member

Ottawa,
January 7, 1957.

APPENDIX A

REFINING MARGIN, B.C.S.R.

The following comments on the table showing the refining margin of B.C.S.R. were included in the Statement of Evidence:

> ". . . In the case of B.C.S.R. this refining margin is theoretical only in the sense that it is the margin which would exist if the shipment of raw sugar received at the Vancouver refinery was refined and sold at the price for refined sugar prevailing at the date the raw shipment was received. In the following table, monthly inventories of sugar are set out so that an allowance may be made for the distortion in the actual margin introduced by this factor. Any distortion would of course be greatest when the price of raw was changing rapidly and in the table below this becomes a diminishing factor in the last half of the period covered.

"TABLE 24

Spread between the laid-down cost of raw sugar at the Vancouver refinery and the selling price of refined in Vancouver

[1] Monthly Inventory (raw sugar in thousands of pounds)[1]	[2] Date of Inventory	[3] Shipments of raw sugar received during period[2]. (thousands of pounds)	[4] Date Received (date bought given in brackets)	[5] Delivered Cost per pound 3. ¢	[6] Selling Price of Refined Sugar (at dates raw shipments received) per pound 4. ¢	[7] Refining Margin or Spread ¢
19, 560	Apr. 1/50					
		17, 955	Apr. 14/50 (Jan. 16)	6.794	8.265	1.471
34, 199	May 1/50					
		17, 177	May 17/50 (Jan. 28)	6.992	8.265	1.273
		19, 184	May 31/50 (Feb. 23)	6.562	8.265	1.703
28, 533	June 3/50					
		21, 828	June 28/50 (Mar. 14)	6.577	8.265	1.688
29, 988	July 1/50					
		4, 827	July 6/50 (Feb. 23)	6.564	8.407	1.843
27, 302	Aug. 1/50					
		17, 925	Aug. 11/50 (May 13)	6.396	8.882	2.486

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
		8,965	Aug. 27/50 (June 22)	6.025	9.547	3.522
22,469	Sept. 2/50					
		18,013	Sept. 25/50 (July 8)	6.542	9.547	3.005
18,794	Oct. 1/50					
		22,071	Oct. 12/50 (Aug. 21)	8.099	9.547	1.448
20,208	Nov. 4/50					
		20,007	Nov. 23/50 (Oct. 2)	7.427	9.547	2.120
25,430	Dec. 2/50					
21,528	Jan. 1/51					
		2,056	Jan. 2/51 (Jan. 2)	6.678	9.547	2.869
		19,254	Jan. 14/51 (Sept. 9)	7.977	9.547	1.570
30,670	Feb. 3/51					
		11,450	Feb. 14/51 (Oct. 28)	6.620	9.547	2.927
		6,756	Feb. 17/51 (Oct. 28)	6.643	9.547	2.904

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
38,724	Mar. 3/51					
		6,712	Apr. 2/51 (Mar. 2)	7.503	9.547	2.044
29,018	Apr. 2/51					
		19,107	Apr. 28/51 (Feb. 19)	7.116	9.547	2.431
23,395	May 1/51					
		18,105	May 12/51 (Jan. 19)	7.292	9.785	2.493
44,285	June 2/51					
		18,804	June 10/51 (Apr. 25)	8.079	10.307	2.228
45,632	July 3/51					
		17,840	July 26/51 (May 23)	9.452	10.307	.855
44,666	Aug. 4/51					
35,455	Sept. 1/51					
		4,426	Sept. 16/51 (Aug. 7)	8.227	10.307	2.080
		20,167	Sept. 17/51 (May 23)	9.552	10.307	.755
		16,160	Sept. 29/51 (May 23)	9.534	10.307	.753
46,932	Oct. 1/51					
49,832	Nov. 3/51					
40,005	Dec. 1/51					
		5,426	Dec. 24/51 (Nov. 13)	7.605	10.070	2.465

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
30,151	Jan. 1/52					
25,475	Feb. 2/52					
		18,930	Feb. 17/52 (Nov. 2)	6.802[5]	9.737	2.935
31,173	Mar. 1/52					
		13,402	Mar. 14/52 (Nov. 2)	6.863	9.547	2.684
		4,504	Mar. 27/52 (Feb. 13)	6.710	9.310	2.600
34,113	Apr. 1/52					
		7,048	Apr. 14/52 (Apr. 30)	6.314	9.120	2.806
		18,837	Apr. 19/52 (Jan. 23)	6.345	9.120	2.775
45,912	May 3/52					
32,939	June 1/52					
		21,651	June 4/52 (Mar. 18)	6.255	8.882	2.627
35,943	July 1/52					
		20,234	July 3/52 (Apr. 25)	6.576	8.882	2.306
		18,610	July 31/52 (May 21)	6.141	8.740	2.599
31,623	Aug. 2/52					
28,405	Sept. 1/52					
		18,878	Sept. 10/52 (July 10)	5.769	8.597	2.828

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
27,324	Oct. 1/52					
		18,317	Oct. 15/52 (July 28)	5.696	8.455	2.759
30,171	Nov. 1/52					
		18,742	Nov. 18/52 (Sept. 9)	5.613	8.455	2.842
37,911	Dec. 1/52					
		8,854	Dec. 11/52 (Oct. 7)	5.654	8.455	2.801
36,200	Jan. 1/53					
		8,921	Jan. 23/53 (Oct. 7/52)	5.636	8.312	2.676
35,932	Feb. 1/53					
27,170	Mar. 2/53					
		18,924	Mar. 8/53 (Dec. 4/52)	5.528	8.170	2.642
35,554	Apr. 1/53					
		19,207	Apr. 22/53 (Feb. 13)	5.352	7.932	2.580
43,246	May 2/53					
30,775	June 1/53					
		15,170	June 16/53 (Mar. 30)	4.805	7.932	3.127
29,817	July 1/53					
		21,493	July 7/53 (May 13)	5.624	7.932	2.308

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
29, 984	Aug. 1/53					
		11, 093	Aug. 19/53 (June 5)	5.450	7.932	2.482
		15, 687	Aug. 22/53 (June 22)	5.263	7.932	2.669
33, 342	Sept. 1/53					
23, 453	Oct. 2/53					
		19, 010	Oct. 26/53 (Aug. 7)	5.192 [5]	7.695	2.503
21, 929	Nov. 1/53					
18, 862	Dec. 1/53					
		17, 928	Dec. 5/53 (Sept. 9)	5.020	7.600	2.580
		11, 139	Dec. 20/53 (Oct. 26)	4.709	7.600	2.891
38, 359	Jan. 2/54					
29, 944	Feb. 1/54					
		18, 116	Feb. 13/54 (Nov. 17)	4.675 [5]	7.600	2.925
37, 538	Mar. 1/54					
		11, 149	Mar. 16/54 (Jan. 7)	4.833	7.362	2.529
36, 958	Apr. 2/54					
		8, 894	Apr. 19/54 (Feb. 17)	5.048	7.362	2.314
34, 854	May 1/54					
		15, 090	May 31/54 (Mar. 12)	4.879	7.362	2.483

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
22, 983	June 1/54	20, 127	June 29/54 (Apr. 12)	4.980	7.505	2.525
23, 372	July 1/54	18, 711	Aug. 1/54 (May 17)	5.033	7.410	2.377
23, 726	Aug. 1/54	18, 795	Aug. 16/54 (June 17)	4.981	7.505	2.524
42, 761 28, 864	Sept. 4/54 Oct. 2/54	18, 670	Oct. 16/54 (July 8)	4.682 [5]	7.505	2.823
34, 872	Nov. 1/54	19, 026	Nov. 10/54 (Aug. 17)	4.710	7.505	2.795
40, 029	Dec. 4/54	4, 479	Dec. 15/54 (Sept. 28)	4.736	7.505	2.769
35, 479	Jan. 3/55	3, 354	Jan. 22/55 (Dec. 1/54)	5.120	7.505	2.385
30, 073	Feb. 1/55	13, 445	Feb. 25/55 (Sept. 28)	4.718	7.505	2.787
		15, 611	Mar. 3/55 (Nov. 23)	4.823 [5]	7.505	2.682

[Table 24, continued]

[1]	[2]	[3]	[4]	[5]	[6]	[7]
30,204	Mar. 5/55					
		7,357	Mar. 16/55 (Jan. 17)	4.715	7.505	2.790
43,150	Apr. 1/55					
32,018	May 1/55					
		17,888	May 22/55 (Jan. 19)	4.721	7.600	2.879
		19,065	June 4/55 (Mar. 24)	4.841	7.600	2.759
34,849	June 4/55					
40,128	July 2/55					
		9,512	July 5/55 (May 3)	5.017	7.600	2.583
		18,125	July 28/55 (April 28)	4.939	7.600	2.661
28,635	Aug. 1/55					
		18,759	Aug. 26/55 (May 14)	5.006	7.600	2.594
33,939	Sept. 3/55					
21,350	Oct. 1/55					
		19,692	Oct. 2/55 (June 29)	4.824	7.600	2.776
		18,990	Oct. 26/55 (Aug. 9)	4.844	7.600	2.756

[for Footnotes to Table 24, see next page]

Footnotes to Table 24

1. Inventories of refined have been included by converting refined sugar to the equivalent in raw sugar using the ratio: 93 pounds of refined equals 100 pounds of raw.

2. Excludes sugar for wine manufacturers.

3. This is the laid-down cost in Canadian funds in the warehouse at the refinery including duty, and polarization allowance for degrees variant from 96° basis.

4. The selling price is the list price for 100 pounds of granulated sugar in cotton bags, f.o.b. Vancouver, less 5% wholesale discount.

5. Average cost of high and low grades."

APPENDIX B

COMPARISON OF U.S. REFINERS' MARGIN WITH THAT OF B.C.S.R.

The following comments on the table comparing the refining margin of B.C.S.R. with U.S. refiners' margin were included in the Statement of Evidence:

> "The Agricultural Marketing Service of the United States Department of Agriculture publishes a bulletin entitled 'The Sugar Situation' in which the United States refiners' theoretical refining margin is set out. The margin is again theoretical in the sense that much of the raw sugar received in a shipment may not be refined and sold at the price for refined prevailing at the time the shipment is received. In addition, the figures used are monthly averages - the raw sugar prices are compiled from the New York Coffee and Sugar Exchange spot prices, and the refined sugar prices are average net wholesale prices in New York. The data given in the table below are compiled from 'The Sugar Situation' for March 12, 1956 and from Table 24.

TABLE 25

Comparison of U.S. Refiners' Margin with that of B.C.S.R.

Month	Average Raw Sugar Price, Duty Paid New York (1)	Average Refined Sugar Wholesale Prices New York (including excise tax of .535) (2)	U.S. Refiners' Margin (after deducting excise tax of .535) (3)	B.C.S.R.'s Margin on Shipments received during Month Indicated 1. (4)
Jan. 1950	5.75	7.89	1.60	
Feb.	5.58	7.74	1.62	
Mar.	5.54	7.57	1.49	
Apr.	5.51	7.55	1.50	1.47
May	5.71	7.55	1.30	1.52
June	5.78	7.55	1.23	1.68
July	6.04	7.84	1.26	1.84
Aug.	6.24	8.05	1.27	2.83
Sept.	6.25	8.08	1.29	3.00
Oct.	6.23	8.08	1.31	1.45
Nov.	6.19	8.08	1.35	2.12
Dec.	6.30	8.08	1.24	
Jan. 1951	6.09	8.08	1.45	1.70
Feb.	5.96	8.08	1.58	2.92
Mar.	5.90	8.08	1.64	
Apr.	5.81	8.08	1.73	2.33
May	6.36	8.23	1.33	2.49
June	6.59	8.43	1.30	2.23
July	6.30	8.57	1.73	0.85
Aug.	6.00	8.35	1.81	
Sept.	6.00	8.33	1.79	0.90
Oct.	5.93	8.08	1.61	
Nov.	5.96	8.08	1.58	
Dec.	5.79	8.08	1.75	2.46
Jan. 1952	5.80	8.04	1.70	
Feb.	5.77	7.99	1.68	2.93
Mar.	6.16	8.22	1.52	2.66
Apr.	6.31	8.48	1.63	2.78
May	6.21	8.48	1.73	
June	6.43	8.52	1.55	2.63
July	6.48	8.62	1.60	2.45

Table 25 (continued)

Month	(1)	(2)	(3)	(4)
Aug.	6.43	8.62	1.65	
Sept.	6.49	8.62	1.59	2.83
Oct.	6.59	8.62	1.49	2.76
Nov.	6.44	8.62	1.64	2.84
Dec.	6.06	8.53	1.93	2.80
Jan. 1953	6.04	8.41	1.83	2.68
Feb.	6.16	8.33	1.63	
Mar.	6.33	8.48	1.61	2.64
Apr.	6.38	8.58	1.66	2.58
May	6.35	8.58	1.69	
June	6.37	8.58	1.67	3.13
July	6.41	8.62	1.67	2.31
Aug.	6.40	8.67	1.72	2.59
Sept.	6.41	8.67	1.73	
Oct.	6.40	8.67	1.72	2.50
Nov.	6.15	8.52	1.83	
Dec.	6.05	8.48	1.89	2.70
Jan. 1954	6.04	8.48	1.90	
Feb.	6.05	8.48	1.89	2.92
Mar.	6.18	8.56	1.84	2.53
Apr.	6.19	8.62	1.89	2.31
May	6.10	8.62	1.98	2.48
June	6.15	8.62	1.93	2.52
July	6.20	8.62	1.88	
Aug.	6.09	8.62	1.99	2.45
Sept.	5.98	8.54	2.02	
Oct.	5.97	8.48	1.97	2.82
Nov.	6.15	8.48	1.79	2.79
Dec.	5.96	8.48	1.98	2.77
Jan. 1955	5.96	8.48	1.98	2.38
Feb.	5.94	8.46	1.98	2.79
Mar.	5.84	8.38	2.00	2.72
Apr.	5.82	8.38	2.02	
May	5.95	8.38	1.89	2.88
June	6.03	8.38	1.81	2.76
July	6.02	8.38	1.82	2.63
Aug.	6.03	8.38	1.81	2.59
Sept.	6.00	8.38	1.84	
Oct.	6.06	8.46	1.86	2.77

1. Where the refining margin is not shown, no shipments of raw sugar were received by B.C.S.R. during the month indicated. Where two or more shipments were received during one month, an average margin has been calculated."

APPENDIX C

TABLE 9*

Comparison of Total Cost and Average Return per 100 lbs. of Refined Sugar for The British Columbia Sugar Refining Company Limited and Canadian Sugar Factories Limited

B.C.S.R.

Fiscal Year Ending	Sept./55 $	Sept./54 $	Sept./53 $	Mar./51 $	Mar./50 $
Cost of raw sugar melted	4.9517	5.0048	5.5517	7.0347	6.1282
Cost of refining plus manufacturing overhead plus administrative expense	1.1972	1.2568	1.2225	.8437	1.0034
Cost of Package	.3768	.3853	.3715	.3364	.3337
Depreciation	.1217	.1340	.1280	.0760	.1547
Cost of Production	6.6474	6.7809	7.2737	8.2908	7.6200
Deduct value of all sales of bags, molasses and profit on sale of Roger's Golden Syrup	.2082	.1550	.1350	.1249	.1328
Net Cost of refined sugar produced	6.4392	6.6259	7.1387	8.1659	7.4872
Outward Freight	.3523	.3449	.3432	.5281	.4022
Selling Expense	.1574	.1455	.1341	.1101	.1095
Total Cost per 100 lbs. refined	6.9489	7.1163	7.6160	8.8041	7.9989
Average net revenue on sales of sugar per 100 lbs.	7.9422	7.8746	8.4316	9.5043	8.4466

Table 9 (continued)

Fiscal Year Ending	Sept./55 $	Sept./54 $	Sept./53 $	Mar./51 $	Mar./50 $
Average net profit per 100 lbs. before income tax	.9933	.7583	.8156	.7002	.4477
C. S. F.					
Amounts actually paid to farmers for beets, plus Agricultural Dept. costs, including delivery of beets to factory	5.6691	5.5238	5.7936	6.9366	6.1951
Processing cost plus factory maintenance plus administrative overhead plus property taxes and insurance	1.5212	1.5728	1.3837	1.2619	1.5788
Packing cost	.2235	.2204	.3169	.2631	.2364
Depreciation	.4999	.4688	.3869	.4368	1.0760
Cost of Production	7.9137	7.7858	7.8811	8.8984	9.0863
Deduct net revenue from sale of by-products	.5014	.5038	.4873	.5634	.2630
Net Cost of refined sugar produced	7.4123	7.2820	7.3938	8.3350	8.8233
Outward Freight	.8415	.9407	.9582	.8603	.7602
Selling Expense	1.0105	1.0176	1.0499	1.1410	.8841
Total Cost per 100 lbs. refined	9.2643	9.2403	9.4019	10.3363	10.4676

Table 9 (continued)

Fiscal Year Ending	Sept. /55 $	Sept. /54 $	S.pt. /53 $	Mar. /51 $	Mar. /50 $
Average net revenue on sales of sugar per 100 lbs.	9.9190	9.8751	10.5302	12.2877	10.5340
Average net profit per 100 lbs. before income tax	.6547	.6348	1.1283	1.9514	.0664

* in the Statement of Evidence

Note: Net profit, selling expense and outward freight for Canadian Sugar Factories are based on the disposal of the whole crop regardless of the fiscal period in which the sugar was sold. Since processing of the new crop usually begins about the end of September, any important distortion in the above comparison is likely to be limited to the years ending March/50 and 51.

No figures are given for the period between March/51 and September/52 because the data submitted were not comparable, owing to the different ways in which the changeover in the fiscal year was handled.

For Canadian Sugar Factories, the packing cost shown is the cost of packing sugar in 100 lb. bags. The additional cost of putting up other types of packages is included as a selling expense.

APPENDIX D

TABLE 27*

Consolidated Statement of Income, Dividends, and Capital Investment for B. C. S. R. and C. S. F.

	Net Income (after taxes)	Adjustments to Surplus	Dividends Paid	Net Capital Investment	% Net Profit to Capital Investment	Adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
March 31						
1931				10,054,629		
1932	1,488,717	776,304	750,000	10,972,359	14.8	Settlement of Utah-Idaho Sugar Account
		142,659				Revaluation of Inventory
		(739,949)				Revaluation of Investments
1933	2,103,005		1,350,000	11,725,364	19.2	
1934	1,413,140		1,350,000	11,788,504	12.1	
1935	1,510,420	(793,930)	1,000,000	11,504,994	12.8	Revaluation of Fixed Assets
1936	1,368,382		1,000,000	11,873,376	11.9	
1937	1,243,551		1,000,000	12,116,927	10.5	
1938	1,354,307		750,000	12,721,234	11.2	
1939	1,213,448		850,000	13,084,682	9.5	
1940	1,922,417	(646,782)	850,000	13,510,317	14.7	Past Service Pension Plan
1941	774,946	(45,922)	750,000	13,414,156	5.7	Past Service Pension Plan
		(78,185)				Additional Income Tax Provision
		3,000				Error in Surplus Account C. S. F.
1942	989,816		750,000	13,653,972	7.4	

Table 27 (continued)

	(1)	(2)	(3)	(4)	(5)	(6)
1943	1,127,139		750,000	14,031,111	8.3	
1944	1,169,992		750,000	14,451,103	8.3	
1945	1,112,029	(156,000)	750,000	14,657,132	7.7	Additional Income Tax Provision
1946	1,004,684	(238,000)	750,000	14,932,361	6.9	Additional Income Tax Provision
		258,545				Refundable Portion, Income Tax
1947	968,686		750,000	15,151,047	6.5	
1948	2,258,318		800,000	16,609,366	14.9	
1949	882,184	337,747	800,000	17,029,297	5.3	Revaluation of Investments
1950	704,482	322,746	800,000	17,256,525	4.1	Revaluation of Investments
1951	1,508,235		900,000	17,864,760	8.7	
September 30						
1951	1,625,630	(937,109)	300,000	18,253,281	9.1#	Revaluation of Inventory
1952	1,106,215	(97,588)	900,000	18,361,908	6.1	Past Service Pension Plan
1953	1,387,453		900,000	18,849,361	7.6	
1954	1,098,325		900,000	19,047,686	5.8	
1955	1,441,051	(91,957)	900,000	19,496,780	7.6	Loss on Disposal of Subsidiary (Ozama Sugar Company Limited)

* In the Statement of Evidence

\# Equivalent to an annual rate of return of 18.2